Austria ... Sch. 22	Indonesia .. Rs 3100	Philippines . Pes. 20
Bahrain .. Din.0.650	Israel .... NS 3.50	Portugal .. Esc 100
Belgium BFr.48	Italy .... L 1800	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y800	Singapore . S$ 4.10
Cyprus .... C£0 75	Jordan Fils.500	Spain ..... Pta 125
Denmark . DKr.9 00	Kuwait Fils.500	Sri Lanka ... Rup 30
Egypt ..... E£2 25	Lebanon . £L 50 00	Sweden .. SKr 8 00
Finland .. Fmk 7.00	Luxembourg . LFr.48	Switzerland SFr 2 20
France .. FFr. 6.50	Malaysia .. Rin 4.25	Taiwan ... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 0 600
Greece .... Dr 100	Morocco .. Dh 6.00	Turkey ..... L 500
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. .... Dh 6.50
India .... Rup. 15	Norway .. NKr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,234 Friday May 15 1987 D 8523 A

Japanese economy: arm-twisting will not work, Page 15

Judge suspends Barbie trial

THE LYON trial of Klaus Barbie, charged with crimes against humanity, again broke up in disorder as his accusers disrupted proceedings.

Passions ran high in the court and police attempted to arrest spectators who shouted "shame" after the judge suspended the hearing.

Barbie failed to appear in court, having walked out of the court on Wednesday, claiming that there was no legal obligation to attend. Page 2

Jaffna attack 'plan'

Pressure is growing on Sri Lankan President Junius Jayawardene to abandon plans his Government is believed to have drawn up to try and capture the city of Jaffna, stronghold of Tamil separatist movement, in the north of the island. Page 4

Rebels kill 12

Tamil separatist guerrillas launched fresh attacks with mortar bombs, landmines and guns in the Buddhist holy week of Wesak in Sri Lanka killing 12 people in 24 hours, a government spokesman said.

Sihanouk steps down

Prince Norodom Sihanouk declared that he would step down for a year in disgust at the killing of his men by Khmer Rouge allies, depriving the anti-Vietnam Kampuchean guerrilla coalition he leads of its most prestigious figure.

Tax cuts promise

Britain's Chancellor of the Exchequer, Nigel Lawson, promised cuts in income tax, more privatisation and even wider share ownership as further opinion polls pointed to a large Conservative lead. Page 6

Turkish amnesty vote

The Turkish parliament voted 310–56 in favour of a bill allowing such former political leaders as Suleyman Demiral and Bulent Ecevit to return to political activity.

Egypt cuts links

Egypt is breaking off all relations with Iran and has arrested 37 Moslem extremists from a group allegedly funded by Tehran.

Bonnici in hospital

Malta's former Premier Carmelo Mifsud Bonnici, beaten in Saturday's elections, is in hospital after suffering a heart attack. Malta's new Cabinet, Page 2

US hostage video

The Beirut kidnappers of American academic Alann Steen issued a video of him, the first evidence in six weeks that he was still alive.

Iran gets assets

Iran said it had received $451m in assets frozen by the US, and handed over in compliance with the order of an international tribunal.

Ethiopian relief

The International Committee of the Red Cross said it had received permission from the Ethiopian Government to resume some food aid distribution in the troubled northern province, suspended last December.

Pakistan bus bomb

A powerful bomb blamed by police on Afghan agents blew apart a bus, killing seven people in the north-western Pakistan town of Peshawar, doctors said.

Aircraft damaged

A Sudanese Hercules air transport aircraft sustained minor damage when it was hit by a shell fired by anti-government rebels as it flew over south-west Sudan, the Khartoum daily Aal-Ayam reported.

Yamani move

Switzerland has given permission for former Saudi Oil Minister Sheikh Ahmed Zaki Yamani to live in the alpine resort Crans-Montana. He owns several properties in the country, where he has business interests.

Eurofer fails to agree cuts in output

Eurofer, the "club" of major integrated European steel makers, said it could not agree on enough voluntary capacity cuts to meet European Commission demands.

The political backing of member states for further plant closures would be required if the Commission's objective of a 25m to 30m tonne reduction in annual capacity was to be achieved.

DEUTSCHE Bank, West Germany's largest, announced plans to raise nearly DM 1.2bn ($670m) through a rights issue. It said operating profits in the first four months were down on the same period last year. Page 17

WALL STREET: At 3pm the Dow Jones industrial average was down 5.63 at 2,324.05. Page 40

TOKYO: Blue chips and stocks related to domestic demand led a rally which took the Nikkei average to a record high. The index closed up 288.25 at 24,651.44. Page 40

LONDON: Good company news and bullishness over Mrs Thatcher's prospects of electoral success sent equities into record territory. The FT-SE 100 index rose 16.6 to a record 2,180.0. The FT Ordinary index added 3.7 to close at 1,684.2. Page 49

DOLLAR closed in New York at DM 1.7810; SFr 1.4630; FFr 5.9485 and Y139.15. It fell in London to DM 1.7870 (DM 1.7900); to Y139.50 (Y139.70); to SFr 1.4690 (SFr 1.4710); and to FFr 5.9625 (FFr 5.97). On Bank of England figures the dollar's exchange rate index was unchanged at 100.1. Page 39

STERLING closed in New York at $1.6805. It rose in London to $1.6780 ($1.6715); to DM 2.9975 (DM 2.9925); to Y234.10 (Y233.50); to SFr 2.4650 (SFr 2.4600); and to FFr 10.0050 (FFr 9.98). The pound's exchange rate index rose 0.1 to 73.7. Page 39

GOLD fell to $460.75 on the London bullion market ($461.25). In Zurich it rose to $461.00 ($460.50). Page 38

PLESSEY, UK electronics group, won an A$350m ($ 250m) Australian Ministry of Defence contract for a tactical radio communications system. Page 6

FINANCIAL Corporation of America, the major US savings and loans group, has been discussing the possibility of a takeover by HF Holdings, a company formed by Mr William Simon, a former US Treasury Secretary, and Mr Preston Martin, former Federal Reserve Board chairman. Page 18

AMSTERDAM'S stock exchange is energetically promoting trade in overseas stock in a bid to compete with London as Europe's share dealing centre, Page 40

TRADING levels in UK bonds and shares fell back last month as renewed uncertainties over the dollar trimmed participation by overseas investors, Page 40

ACEC, the Belgian electrical and electronic engineering company, intends to reduce its 51 per cent stake in the Portuguese company EFACEC to 10 per cent by means of a public sale. Page 18

PHILIPPINES Government elected a majority of directors in food and consumer goods group San Miguel, removing the threat of a takeover by the company's management team. Page 19

NORTHERN IRELAND'S industrial investment recorded last year, rising 56 per cent to £311m ($516m), says the region's industrial board. Page 8

SAATCHI & SAATCHI, world's largest advertising group, more than doubled interim taxable profits to £56.2m ($93m). Page 24

WEST Germany's largest management buy-out, worth about DM 100m and involving the European machine tool division of Ex-Cell-O of the US has been completed by the Hamburg-based operation of J. Henry Schroder Wagg, the UK merchant bank. Page 17

SEA Containers, the Bermuda-registered container leasing, ports and ferries group, announced first quarter losses of $12.9m or $1.67 a share, down from the deficit a year earlier. Page 17

Britain lines up with US over arms negotiations

BY ROBERT MAUTHNER IN LONDON AND DAVID BUCHAN IN STAVANGER

THE BRITISH Government yesterday made it clear for the first time that it was prepared, in principle, to accept the so-called "double-zero option" proposed by Mr Mikhail Gorbachev, the Soviet leader, under which all categories of medium-range nuclear missiles would be eliminated from Europe.

A statement issued by the Foreign Office effectively put an end to several weeks of speculation about Britain's stand on Mr Gorbachev's proposal, tabled during the visit of Mr George Shultz, the US Secretary of State, to Moscow last month.

The Soviet leader, in a surprise move, suggested on that occasion that an agreement on the abolition of Intermediate Range Nuclear Forces (INF) in Europe should cover not only long-range weapons in this category – 1,000km to 5,000 km – but also shorter 500 km to 1,000 km range missiles.

Meanwhile, Mr George Younger, the British Defence Secretary, said yesterday that Britain might offer itself as a base for submarine-launched US cruise missiles and more US nuclear armed aircraft, as helping to compensate Nato for losing medium-range ground-based missiles in an arms control deal with Moscow.

Speaking in Stavanger, where he was attending a meeting of Nato Defence Ministers, Mr Younger said, however, that such compensatory reinforcement could only be decided after the superpowers had agreed a deal on medium and shorter range missiles in Europe. Only then could Nato decide what gaps such a deal might create in its flexible response strategy and how to fill them.

Before yesterday's clarification of London's position on Mr Gorbachev's offer, which aligns British policy with that of the US Administration, it was generally assumed that Mrs Thatcher's Government was fundamentally hostile to completely abolishing shorter-range INF weapons in Europe.

Though the official Nato position, fully backed by its European members, has always been that any INF agreement involving the elimination from Europe of Soviet SS-20s, US Pershing 2 and ground-launched cruise missiles must include "constraints" on shorter-range weapons, it stopped short of calling for their abolition.

The European Nato countries, with West Germany and France in the vanguard and the less vociferous backing of the British government, have constantly pointed out that the elimination of all medium-range nuclear weapons from Europe would make them much more vulnerable to attack by the Warsaw Pact's more numerous conventional forces.

It was also argued in Bonn, Paris and London that such a solution would remove an important stage in Nato's strategy of "flexible response" and devalue the whole concept of nuclear deterrence by basing it entirely on the improbable use of "holocaust" strategic nuclear weapons.

Significantly, the Foreign Office statement did not amount to either a complete or unqualified commitment to the "double zero option". It stressed that the conditions of such an agreement must "adequately safeguard western security", which means, above all, that it must provide for watertight verification procedures.

The statement also emphasised that a zero/zero solution was only one of several options that could be chosen by the alliance. The Nato requirement that an INF agreement should contain constraints on shorter-range weapons could also be met by the establishment for these arms of "equal ceilings at various levels down to zero".

However, such a solution, which would involve the deployment of new shorter-range weapons in Nato countries, currently deprived of missiles in the 500km to 1,000km class, has so far been rejected by Mr Gorbachev. It is also plain that, by putting it on the record that it is prepared to accept a double-zero solution, the British Government is in effect stating its preference.

Nato leaders, Page 2

South Africa expels two UK television reporters

BY ANTHONY ROBINSON IN JOHANNESBURG

THE SOUTH AFRICAN Government yesterday ordered two British television reporters, Mr Michael Buerk of BBC-TV and Mr Peter Sharp of ITN, to leave the country when their work permits expire at the end of next week. They have also had their normal visa exemptions as UK passport holders lifted. In future they will have to obtain visas to enter the country.

Both men, whose work is familiar to millions of television viewers, are veteran, professional reporters of African affairs. Mr Buerk is the winner of 13 international awards.

Seven other journalists have been expelled over the past 18 months during which the press has been attacked frequently by President P. W. Botha and other senior officials for allegedly fomenting the unrest which has killed more than 2,500 people over the past three years.

The Foreign Correspondents Association last night accused the Government of having "resumed an attack on press freedom unparalleled in recent times." It warned: "There is every sign that the Government intends to end independent coverage of the South African social conflict because it believes that secrecy will help it win."

The latest expulsion notices come a week after elections in which more than 80 per cent of white voters endorsed apartheid and emergency restrictions which include tight media curbs on coverage of security force action, "subversive statements" and violent protest.

The two men have no right of appeal against the decision by the Minister of Home Affairs, which also requires no explanation.

In private, however, both were told by senior officials that their coverage provoked anger at the highest levels of government and broke censorship regulations.

The last straw was their recent coverage of campus riots at the University of Cape Town and police operations around Cosatu House, the Johannesburg headquarters of many black trade unions, they were told.

Lawyers for both television companies rejected allegations that they had broken the law, basing their argument on a recent Natal court ruling which lifted many of the emergency restrictions.

The police, however, reacted to the court's ruling by simply announcing their intention to ignore it.

The decision not formally to expel the two men but merely refuse to prolong their work permits means that they will be forced to leave the country without having an opportunity to defend the legality of their coverage in the courts.

It also appears to be part of a general post-election crackdown. Earlier this week, the Government told Dr Jon Lewis, a British-born academic and editor of the S.A. Labour Bulletin to leave within 30 days.

GE takes control at Peabody

BY JAMES BUCHAN IN NEW YORK

GENERAL ELECTRIC (GE), the big US consumer and industrial products group, yesterday stepped in to take management control of Kidder Peabody, its investment banking subsidiary which has been badly tarnished by the Wall Street insider-trading scandal.

GE, which spent more than $400m in acquiring about 80 per cent of the blue-chip investment bank for its financial services group last summer, announced that Mr Ralph DeNunzio, chief executive of Kidder for 20 years, was stepping down.

Mr DeNunzio, 55, is to be replaced by Mr Silas Cathcart, a GE board member since 1972. Mr John Roche, chief operating officer at Kidder, has also resigned, to be replaced by Mr Max Chapman, the chairman of Kidder's broker dealer subsidiary, who had widely been seen as Mr DeNunzio's likely successor before the scandal broke.

Two other GE officials have been named to senior positions at the medium-sized investment firm.

Analysts said yesterday that GE, an acquisitive company that last year bought RCA, the electronics group, for $6.4bn, traditionally preferred its own people running major subsidiaries.

"They've moved faster than they normally would because Kidder is tainted by the insider trading scandal, said Mr Perrin Long, an analyst at Lipper Analytical services.

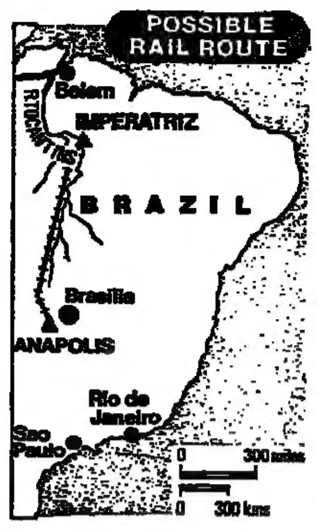
Mr Martin Siegel, a former mergers and acquisitions specialist at Kidder, has confessed to running an insider trading ring while at the bank. The US Attorney has charged two other former Kidder officials, Mr Timothy Tabor and Mr Richard Wigton, with making "millions of dollars in illegal profits" for the firm.

Kidder itself has not been indicted, although it is reported to have held negotiations over a civil settlement with the Securities & Exchange Commission.

Mr DeNunzio, 55, was a successful chairman of the New York Stock Exchange in the early 1970s. He presided over the negotiations with GE when a shortage of capital and the firm's own caution threatened Kidder with being left behind similar-sized investment banks such as Morgan Stanley.

He remains chairman of Kidder. Mr Cathcart, 61, is a former chairman of Illinois Tool and has served on several corporate boards.

Insider dealing, Page 3



Brazilian railway scandal revealed

By Ivo Dawnay in Rio de Janeiro

A MAJOR scandal has erupted in Brazil over contract tendering for the already controversial $2.4bn North-South railway, planned by the Government to link the country's underpopulated central region with ports in the mouth of the Amazon.

The new row came when a Sao Paulo newspaper revealed on Wednesday that winners of contracts to build 18 stretches of track had been covertly announced in a coded advertisement in its pages five days earlier.

Not only was the advertisment published long before the final decision was due to be taken, but it was also ready for the newspaper presses even before the sealed envelopes containing the tenders were due to be opened.

The scandal, reminiscent of alleged murky dealings behind several grandiose federal projects during Brazil's 21-year military dictatorship, has added to the problems of President José Sarney's politically enfeebled Government.

Mr Sarney is personally strongly committed to the so-called grain railway project as an essential step for opening up the country. Critics, however, argue that the scheme is "Pharonic," a "railway from nowhere to nowhere" and an expensive and unnecessary toy for the region, which includes Mr Sarney's own home state of Maranhao.

The controversy had long dominated headlines even before the new revelations. But it was only this week, after the declaration of the contract winners came from the Ministry of Transport and Valec, the state company supervising the project, that an investigative reporter spotted they coincided exactly with the coded advertisement buried in the previous week's classifieds.

The Folha de Sao Paulo newspa-

Continued on Page 16

Bonn dashes hopes of early tax cuts

BY DAVID MARSH IN BONN

MR GERHARD STOLTENBERG, the West German Finance Minister, yesterday dashed hopes of action to stimulate his country's economy, raised just a day before at a meeting of international policymakers in Paris.

At a press conference to spell out the Finance Ministry's latest position on the federal budget, Mr Stoltenberg said West Germany had already gone to the "utmost limit" of its ability to boost growth prospects through tax policy.

Mr Stoltenberg showed some irritation at continued suggestions from abroad, raised above all by the US at this week's ministerial talks at the Organisation for Economic Co-operation and Development in Paris, for measures to boost flagging German growth.

Pointing out that the federal budget deficit would rise next year to almost DM 30bn ($16.7bn) from DM 26bn originally planned last year, Mr Stoltenberg said calls from "friendly countries" for a more expansive budget policy were unjustified.

His remarks came after the West German Government, represented in Paris by Mr Martin Bangemann, the Economics Minister, hinted it would bring forward large tax cuts planned for 1990 if this year's growth outlook became seriously clouded.

Mr Stoltenberg, however, scotched any idea of action to bring forward DM 5bn of extra tax cuts planned to come into effect in January 1988. These extra tax cuts, decided in February, will be in addition to DM 9bn of tax reductions already due to take effect in the new year.

Including the large DM 25bn net tax cut in 1990, Mr Stoltenberg said the centre-right coalition Government was now bringing in tax cuts in three stages between January 1986 and January 1990 which would add up to nearly DM 50bn or about 2.5 per cent of gross national product.

He termed this "quite exceptional" in comparison with tax cutting efforts by other industrialised nations.

The West German Government has revised down its forecast for economic growth this year to just under 2 per cent compared with the official forecast in January of 2.5 per cent.

However, senior officials say in private that, even if they were sufficiently worried about the slowdown to want to take action, they would not know what to do.

Pointing out that the budget deficit was already expanding because of lower tax revenues, and that the Bundesbank the West German central bank, was continuing to cut German interest rates despite above-target monetary expansion, one senior official asked rhetorically yesterday: "What should we do?"

Continued on Page 16

UK moves to limit rise of sterling

BY PHILIP STEPHENS AND JANET BUSH IN LONDON

THE BANK of England hinted yesterday that sterling is now at the very top of the band considered acceptable by the authorities and that it would welcome some modest weakening in the pound's value against other major currencies.

The suggestion, which came with the publication of the Bank's latest Quarterly Bulletin, coincided with renewed official intervention on foreign exchange markets to offset still-rising overseas demand for the pound.

Sterling strengthened yesterday in response to two new opinion polls showing Prime Minister Margaret Thatcher's Conservatives well in the lead over opposition parties at the beginning of Britain's general election campaign and in response to a weaker dollar.

The Bank was reported to have intervened ostentatiously several times in European trading as the pound approached the key DM 3.00 level. It appeared, however, that the amounts of sterling sold were not as large as on some occasions in recent weeks.

The Bulletin provides an upbeat assessment of Britain's short-term economic prospects but makes clear that the authorities want to preserve the boost to industrial competitiveness flowing from last year's devaluation of the pound.

Sterling has risen since February by 7 per cent against the currencies of Britain's major trading partners, eroding perhaps half of the competitive gains.

Continued on Page 16

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HOW US FOREIGN POLICY WAS HIJACKED

Former presidential adviser Robert McFarlane's testimony to the Iran Contra hearings has been a revelation. Page 3

Nato military leaders press for new nuclear arms

BY DAVID BUCHAN IN STAVANGER

NATO WILL need new nuclear weapons to offset the decline in its deterrent from the possible loss of its medium range missiles in an agreement with the Soviet Union, top alliance military commanders told defence ministers yesterday.

The possibility that the much heralded European missile accord with Moscow might bring no marked net reduction in nuclear weaponry in Western Europe emerged quickly yesterday at the start of Nato's Nuclear Planning Group meeting in Stavanger.

Talk of Nato equipping itself with modernised short range missiles and air or sea-launched cruise missiles dominated ministerial discussion of what the alliance should do if it agreed to the Soviet proposal to remove all ground-based missiles from Europe with a range of between 500 km and 5,500 km.

This is the so-called double zero proposal—abolishing in Europe longer range intermediate nuclear forces (LRINF of 1,000 km-5,500 km range) and shorter range intermediate nuclear forces (SRINF of 500 km-1,000 km range).

Nato military commanders did not give a flat thumbs down to the double zero proposal—they were pointedly not asked by ministers for their view on whether Mr Mikhail Gorbachev's offer should be accepted. Instead, General Bernard Rogers, the supreme Nato commander who retires next month, and General Wolfgang Altenberg, chairman of the Nato Military Committee, spelt out the military implications of accepting the double zero plan. They said that without compensating increases in nuclear weaponry falling outside the letter of the proposed treaty or treaties with Moscow, Nato would no longer be able to maintain its flexible response strategy.

Growing support for the Nato military viewpoint from bigger allies emerged in a series of bilateral meetings between the US, West Germany and British defence ministers, at least as important as the plenary discussions of the 14 ministers attending the NPG.

But the danger of appearing to introduce a new range of nuclear weaponry into Western Europe under the cloak of an arms control agreement was voiced by Mr Johan Holst, the Norwegian Defence Minister, and host to this week's meeting. If Nato was too explicit about compensatory nuclear armament plans, Moscow would demand guarantees that an LRINF/SRINF pact would not be circumvented by the West. This would hold up negotiations, Mr Holst warned.

As a result, Mr Caspar Weinberger merely detailed various options for nuclear modernisation, such as increasing the range of the existing lance missile from 120 km to 240 km, or building a new Lance of nearly 500 km range, without endorsing any particular one. He said the US had as yet no firm position on SRINF, except to resist Soviet inclusion in the negotiations of the 72 Pershing 1 A missiles, the launchers of which are owned by the West German air force, but whose warheads are controlled by the US.

Mr Manfred Woerner, the West German Defence Minister, and the key player in this week's NPG debate because of his country's front line position, strongly stressed the need to retain flexible response, or the ability to match any level of Soviet threat with an appropriate response.

He is expected to come away from Stavanger, able to argue inside the Bonn coalition that he has significent allied and Nato military backing for his view that Bonn should hang on to its Pershing 1 A missiles and that Nato should reinforce its short range nuclear weaponry, not all of it in West Germany.

The third partner in what looks increasingly like a tripartite pact of defence ministers is Mr George Younger of the UK, who yesterday held separate talks with both Mr Weinberger and Mr Woerner. The UK looks likely to follow what Bonn and Washington agree on. If that involves new nuclear weaponry, UK officials point out that the Thatcher Government would be in a stronger position to join West Germany in accepting new or additional systems if it wins a third term on June 11. They do not even flatly rule out basing B-52 bombers with cruise missiles in the UK; air and sea launched systems are not covered by the LRINF/SRINF negotiations.

Barbie trial breaks up in disorder for second day

BY GEORGE GRAHAM IN LYONS

THE TRIAL of Mr Klaus Barbie broke up yesterday in disorder, the second time in two days that hearings in the Lyons courtroom have had to be suspended.

On Wednesday it was Mr Barbie himself who caused the suspension by demanding to be taken back to his prison cell. Yesterday, with the former Gestapo captain still refusing to appear before the court, it was his accusers who were responsible for the disruption.

Judge Andre Cerdini, president of the court, has tried hard to keep control of the proceedings, in which Mr Barbie is charged with crimes against humanity including the torture, deportation and murder of Jews and members of the French Resistance.

But passions are running high among the spectators and the civil plaintiffs who have joined the prosecution, many of whom claim to have been tortured by Mr Barbie in person.

Mr Jacques Verges, Mr Barbie's defence lawyer, has skilfully exploited every lapse into unsupported rhetoric by the 40 lawyers representing the plaintiffs.

Yesterday he succeeded in provoking a tirade from Mr Joe Nordmann, lawyer for the association of former deportees, who had been robbed by the prisoner's absence of his chance to score theatrical points in questioning Mr Gustavo Sanchez, the former Bolivian Interior Minister responsible for the expulsion of Mr Barbie from La Paz in 1983.

Judge Cerdini had been visibly annoyed by Mr Nordmann's failure to ask the witness direct questions. When the tall and vulturine lawyer refused to shut up the judge suspended the court sittings.

Police tried to arrest spectators who greeted the judge's decision with cries of "Shame," but failed to identify the culprits.

The court is now faced with the difficult task of bringing the trial back from the circus event it has become into more usual legal channels. Lawyers in Lyons have expressed doubts about the wisdom of allowing television cameras into the first session of the trial, and feel the extent to which the prosecution witnesses have already aired their evidence in the Press and in books has compromised the judicial proceedings.

Mr Barbie's refusal to leave his prison is permitted under French law and will not prevent the trial from going ahead, but it has enraged the plaintiffs' lawyers, who behaved yesterday as though they had been robbed of their prey.

"It shows once again the contempt in which the Nazi Barbie holds French justice and France as a whole," said Mr Nordmann.

EC to fund student exchanges

By Tim Dickson in Brussels

EUROPEAN COMMUNITY education ministers agreed yesterday to spend Ecu 85m (£59m) over the next three years on promoting student exchanges between member states. The money—less than half what the European Commission would have liked to allocate to the scheme—will be used to finance the establisment of suitable courses and to pay the travel grants of successful applicants.

The so-called Erasmus programme has generated considerable political heat over the past year, with Britain, France and West Germany determined to reduce the size of the Commission's proposed budget.

The Commission was so exasperated by the squabbling that it withdrew the plan temporarily last November before putting it back on the agenda this year.

Community officials estimated last night that the agreed scheme could ultimately encourage cross-border study for up to 5 per cent of the estimated 6m students in the EC. Due to the protracted negotiations only Ecu 10m have been earmarked for the academic year starting in September but the programme is expected to pick up thereafter.

All recognised higher education establishments will be able to offer courses, but they will require Community approval before students qualify for the financial support.

Tougher line on French student entry urged

BY DAVID HOUSEGO IN PARIS

FRENCH universities will be forced to be more selective in their admission procedures if they are not to be overwhelmed by a fresh influx of students in the coming years, according to a major report on the country's higher education system published yesterday.

The report by the newly-established university evaluation committee is the first high-level attempt to assess the current state of French universities and their ability to cope with the huge planned expansion of student numbers up to the year 2000.

It comes in the wake of the nationwide student strikes at the end of last year in protest at the Government's attempt to stiffen selection procedures, raise student fees and make the universities more autonomous.

The report with a preface by Mr Laurent Schwartz, president of the committee and a former Nobel prize winner and left-wing sympathiser, paints a picture of the universities already unable to cope with the problems of mass higher education posed by the number of students more than doubling over the past 20 years to over 1m. It says that while numbers have grown, expenditure per student as well as staffing ratios, have fallen.

At undergraduate level, Mr Schwartz said yesterday, "France has twice the number of students as Britain, but half the number of staff."

The committee highlights the wastage that consequently occurs in the first two years of undergraduate education — which accounts for three-quarters of the student population and where the problems are concentrated.

Entry to university in France is open to any student passing the school-leaving exam, the *baccalaureat*.

Only 40 per cent of students get through the diploma at the end of the second year — and most take three years to achieve it. The committee describes this selection "by failure or drop-out" as unacceptable.

In contrast to conditions at undergraduate level, the committee says that the quality of research in French universities is "good" and comparable with other major industrialised countries.

In terms of reforms, they believe that a thorough restructuring of the initial two years of undergraduate education — *le premier cycle* — and long-term budgetary and staffing planning will be necessary before France can contemplate the expansion of student numbers to 2m as proposed by successive ministers of education.

Mr Schwartz is even more blunt in his preface, arguing for a two-tier system of post-secondary education—vocationally-oriented colleges providing two-year training geared to working life, and more specifically, university-type courses for those able to continue in higher education or preparing for research.

Mr Schwartz has angered students by proposing a FFr 1,000 (£100) annual student fee instead of the current level of about FFr 400.

At a press conference, he also said that French universities needed to move beyond the present system of centralised control to one in which—on the British model—they had autonomy of expenditure and management but were subject to *post facto* evaluation by a type of university grants committee.

Student organisations have already expressed their displeasure with the report. The government plans to take no real action on the universities until the Presidential elections are out of the way in May next year.

Italy may borrow more abroad

By John Wyles in Rome

THE ITALIAN Government may in future use overseas borrowings to finance a larger share of its huge deficit following the latest moves to liberalise its foreign exchange regime.

Although the deficit, at 14.3 per cent of gross domestic product, is one of the highest, Italy's current foreign debt—$40bn out of a total government indebtedness of around L793,000bn ($612bn)—is one of the smallest in Western Europe.

Officials now believe that more foreign borrowing may have to be used to finance the government deficit to counterbalance capital outflows which have been freed by the latest measures.

While these include an increase from L1.6m to L2.1m in the currency which Italians can take on each foreign trip and the removal of restrictions on the use of credit cards abroad, the main measure is the abandonment of a 15 per cent non-interest bearing deposit which had to be lodged with the Bank of Italy on the private purchases of all foreign securities.

The liberalisation puts Italy in the European "mainstream" not just in terms of its financial regulations, but also in monetary policy and public financing techniques which it will now have to employ.

This was the conclusion being drawn yesterday by economists and businessmen who broadly welcomed the very determined step towards liberalisation which was taken on Tuesday.

No one seemed prepared yesterday to offer a reliable estimate of the likely capital outflows generated by the freedom to purchase foreign shares and bonds. The Bank of Italy believes that some restructuring of investment portfolios has already been taking place in expectation of the freedom which the European Commission had insisted must be introduced by December 19.

Although some foreign exchange prohibitions remain, notably on the opening of foreign bank accounts, the latest move is likely to make the lira more susceptible to capital movements than before. The result is that Italian interest rates may be more volatile than in the past—the central bank's discount rate has only been moved once in the past 12 months.

According to the Bank of Italy, its currency intervention policy will also be more flexible. "We shall not be moving in defence of a second decimal point," said an official yesterday. The implication is that the lira will swing more freely within its permitted 6 per cent margin above or below its EMS central rate.

The impact of the measures on the Milan bourse is difficult to predict. Professor Mario Monti of the Bocconi University in Milan believes that the stock exchange, whose capitalisation is now four times greater than it was three years ago, has been overbought because investment funds could not find a reasonable outlet abroad.

Currently, the Milan exchange has hit a flat patch and given up most of the gains made this year. However, a rush into the arms of London or New York is unlikely because mutual funds have already been able to hold foreign securities up to 10 per cent of their portfolios and neither they, nor the domestic securities industry, are yet equipped for a strong trading effort.

Share ownership set to rise by 40% soon

BY OUR PARIS CORRESPONDENT

THE DRAMATIC increase in share ownership in France as a result of the Government's privatisation programme was revealed by a study published yesterday, which shows that one in four households will be shareholders in privatised companies by the end of the year.

The study published by the French association of financial institutions (AFEC) estimates that by the end of the year, 4.3m households will have bought shares. Of these, 70 per cent did not have shares before the privatisation programme.

At the same time, Mr Edouard Balladur, Minister of Finance, disclosed yesterday that with the CGE privatisation, the government revenue from the programme so far amounted to FFr 30bn (£3bn).

AFEC says that, up to now, 3m households or 5m people have bought shares in privatised companies. It reckons this will rise by a further 40 per cent by the end of the year.

Among groups to be privatised by the end of the year are two state-owned banks, Société Générale and Crédit Lyonnais, and Havas, the advertising and tourist group.

Paul Betts reports: Inflation in France picked up again last month with the consumer price index rising by 0.5 per cent in April compared with 0.1 per cent in March and 0.2 per cent in February.

This brings the French annual inflation rate to 3.4 per cent. However, the poor April figure, which is not as bad as the 0.9 per cent increase in January, was expected because of higher energy prices and the impact of the recent removal of price controls in France.

Although the French Finance and Economy Ministry expects inflation to slow in the second half of this year, most private forecasters suggest an inflation rate of 3.5-4 per cent this year compared with 2.1 per cent last year.

But the French Government also emphasises that the inflation rate differential between France and West Germany, its main trading partner, has been decreasing from 3.9 per cent in February to 3.3 per cent last month.

Community budget goes into the red

BY QUENTIN PEEL IN LUXEMBOURG

THE EUROPEAN Commission yesterday revealed a financing shortfall of more than Ecu 10bn (£7bn) in its spending needs for 1987 and 1988, or rather more than a quarter of its annual budget.

Mr Henning Christophersen, the Budget Commissioner, also announced that the EC budget —two-thirds of which goes on farm spending—moved into the red five days ago and will remain in overall deficit until a solution is found.

The 12 member states are being asked to cover an immediate shortfall of some Ecu 4.3bn, with a combination of delayed payments and a once-off cash injection. If they do not agree, they will simply have to provide the money in the form of overdraft facilities in their central banks, the Commission says.

In 1988 the budget gap will reach Ecu 5.75bn, unless the member states can decide on a permanent new financing system to fill it, according to the preliminary draft budget published at the European Parliament yesterday. Forecast spending next year totals Ecu 39.7bn (£27.8bn), against comparable spending this year of Ecu 37.8bn—an increase of just 5 per cent, according to the Commission.

Mr Christophersen insisted that the budget was cautious and realistic, and that the gap was due far more to a shortfall in EC financial resources than to any excessive increase in spending.

Key elements in the budget crisis are the shrinking amount of revenue due to Brussels from customs duties and agricultural levies, and a rapidly increasing sum owed to Britain from its budget contributions. That UK budget rebate is set to rise from Ecu 1.6bn this year, to Ecu 2.5bn in 1988 Mr Christophersen said.

However, there is no disguising the continuing increase in farm spending, forecast to rise from the Ecu 22.9bn written into the 1987 budget to Ecu 25.78bn by the end of the year and Ecu 27.05bn next year. The major factor has been the decline of the dollar and the resulting increase in export subsidies required to sell EC dairy, beef and cereal surpluses

The Commission said Ecu 1.1bn of the excess farm spending of Ecu 3.9bn this year could be found from savings proposed in the current farm price package—although half the amount is supposed to come from an oil and fats tax currently blocked by five countries. The rest of the excess spending should be met by a once-off accounting change repaying member states their farm spending in arrears instead of in advance, providing Ecu 2.8bn.

That simply delays paying for the increased farm spending until 1988 and requires member states to borrow the two months' cash on their own account instead—which is likely to be a major problem for countries like Ireland with already large budget deficits.

Bonn and Paris have yet to declare their hands, writes **Lynton McLain**

UK cash pledge gives Airbus projects a lift

THE UK Government has become the first to offer launch aid for the A330 and A340 new generation of Airbus airliners.

Airbus for several months has been seeking evidence that its four partner companies were willing to provide about $2.5bn in development costs for the two aircraft. The aerospace companies themselves will have to fund production facilities and long lead items for the programmes.

British Aerospace will provide £550m of its own money to help with the launch costs and for production facilities to make wings.

Airbus Industrie comprises: Aerospatiale of France and Messerschmidt Bolkow Blöhm (through Deutsche Airbus of West Germany), each with a 37.9 per cent share; British Aerospace, with a 20 per cent stake; and CASA of Spain, with a 4.2 per cent stake.

The Deutsche Airbus is seeking DM 7bn (£2.35bn) in cash from the Bonn Government to cover subsidies for the two projects, as well as funds to clean up financial burdens incurred under the A300 and A310 programmes. It took out government-guaranteed bank loans to cover part of its spending on theses earlier programmes.

The loans can no longer be repaid because the rise in the D-Mark has cut deeply into Airbus sales margins. This has made some recent Airbus sales extremely unprofitable.

Deutsche Airbus thinks Bonn has not choice but to step in to convert the guarantees into budgetary grants.

The French Government is believed to be within a few days of wrapping up the finance it is prepared to make available.

The projected Airbus A-340 long-distance airliner

France has always believed that setting up a manufacturer of civil airliners would take decades, and Mr Jacques Chirac, the Prime Minister, has committed himself in principle to extending the range of Airbus models.

Aviation officials were earlier sceptical about the prospects of developing the SuperFan engine proposed by the International Aero Engines consortium, now abandoned, and wanted reassurance that airlines would also be interested in buying A-340s powered by the Snecma/General Electric CFM engine.

In addition, officials had been keen for Airbus to win some advance orders for the medium range A330, which they regard as an essential twin to the A340. The two aircraft are to have a common wing, the former with two engines, the latter with four for intercontinental flights.

The French Government has already started to receive repayments on the money it put up for the A300 and A310 aircraft, and expects to recoup fully the FFr 5bn it put into the recently launched A-320.

Airbus Industrie is convinced that the French and West German decisions on funding will follow "in the next few days." It says it is optimistic that "something will happen before the Paris Air Show, early next month."

It insists that it has lost no customers for the A330 or A340 as a result of the decision by IAE to postpone, and effectively cancel, the SuperFan advanced technology engine originally proposed to power the aircraft. The SuperFan was to have offered unprecedented improvements in fuel efficiency and was seen by many in the airline industry as the main reason for airliner interest in the new Airbuses.

The aircraft will now fly with the Franco-US CFM56-5-S3 engine, an improved version of the engine of the A320.

The decision of the UK Government to provide £450m launch aid to British Aerospace, which has a 20 per cent stake in Airbus Industrie, does not signal the go ahead for the A330 and A340, however. The announcement by Mr Paul Channon, the Trade and Industry Secretary, is likely to have more immediate impact as a political gesture, in the week a UK general election was called.

When British Aerospace was touting for launch aid for the twin-engine A320, which first flew earlier this year with more advance orders before a first flight than any previous aircraft, the UK Government dragged its feet and was the last to decide, eventually providing £250m.

The four-engine A340 long-range intercontinental airliner is designed to compete with the Boeing 747 jumbo jet and the McDonnell Douglas MD11, an updated version of the DC-10. The A330 twin-engine airliner is intended to compete with medium range, twin-aisle airliners like the Boeing 767.

Airbus regards its entry into the international market for three- and four-engine airliners as essential if the consortium is to compete on an equal footing with other manufacturers.

It already competes successfully with US manufacturers in the most buoyant and highest volume markets, for single aisle and twin-aisle airliners. The latter is a field Airbus claims to have pioneered, with 66 per cent of the world market captured by its A300 and A310 twin-engine airliners and more than twice as many customers as any other manufacturer.

The recent maiden flight of the A320 was followed by commitments by world airlines to buy 439 of the aircraft.

A go-ahead with the A320 and A330 would ensure Airbus had aircraft to attack the domination by the US manufacturers in the remaining category for the biggest, longest range airliners.

Portuguese private radio stations left in mid-air

BY DIANA SMITH IN LISBON

PORTUGAL'S draft broadcasting bill that was supposed to open the doors to private radio stations, fell into abeyance this week because the outgoing minority Social Democrat Government failed to produce detailed regulations within the 60-day deadline after the bill was approved by the parliamentary opposition.

This means that after the July general election a new broadcasting bill must be drawn up, and that dozens of private stations that have occupied the air waves in the past few years will have to wait to learn whether they will receive licences.

The bill became the focus of bitter controversy when its sponsors, the Socialists and Democratic Renewal Party, decided that the two existing networks, the state-owned RDP and Roman Catholic Radio Renascenca, should forfeit FM frequencies they had been allocated in 1985 to make room for private stations. Both networks had invested heavily in the new frequencies and protested angrily at being told to relinquish them.

President Mario Soares vetoed the bill, stating that the way to admit new stations was not to deprive existing ones of their frequencies. Parliament, however, with the minority Government opposing the bill, simply passed it again. The Government then had 60 days to draw up the rules whether it liked the bill or not.

The outgoing Government claims it had not yet finished technical studies required before it set up the rules for broadcasting.

Malta cabinet sworn into office

BY GODFREY GRIMA IN VALETTA

DR EDDIE SENECH ADAMI, Malta's new Prime Minister, has retained responsibility for the island's economic development in a 17-man cabinet sworn into office yesterday.

The new cabinet is made up of nine ministers and eight parliamentary secretaries whose responsibilities range from health to prison.

The island's foreign policy will be directed by a party veteran, 73-year-old Dr Censu Tabone, the only member with previous cabinet experience.

Dr Tabone served in the government of the late nationalist Prime Minister Dr George Borg Olivier which negotiated independence from Britain in 1964.

The Prime Minister promised his Government would continue to seek work abroad for both the ship repair and the shipbuilding yard, during a visit to a dockworkers union.

According to authoritative sources the Government has no plan to scrap the five-year economic plan launched by the defeated Labour Government last year although some of its goals will be modified.

As the situation in Malta returned to normal following last Saturday's general election there has been no hounding of Labour Party supporters.

It was also learned that US President Ronald Reagan will shortly send an emissary for talks with the new Maltese Prime Minister.

On Monday the Prime Minister revealed his Government would be seeking guarantees from Western Europe for Malta's military defence.

The condition of outgoing premier Dr Carmelo Mifsud Bonnici, 54, who last night suffered a major heart attack, was today described as stable but critical.

Vote clears way for Turk opposition

BY DAVID BARCHARD IN ANKARA

THE TURKISH parliament yesterday approved a bill which should allow former political leaders such as Mr Suleyman Demirel and Mr Bulent Ecevit and other political leaders from the 1970s to return to politics.

The vote of 310 to 56 came at the end of several weeks bargaining over a bill which will make this and other amendments of the 1982 constitution much easier.

The voting age in Turkey will be reduced to 18 and the size of Turkey's single chamber National Assembly, from 400 seats to 450. A referendum will have to be held to approve the amendments.

However President Kenan Evren and the Prime Minister Turgut Ozal have relaxed turnout requirements for the referendum which should now be relatively easy to meet.

The politicians were disbarred from political activity by a clause in the 1982 constitution approved that year by 92 per cent of the voters in a referendum conducted under martial law with only the government campaigning.

Turkey's main opposition Social Democracy Populist Party was the only major group voting against the bill, arguing that it was a wrong way to proceed with the changes.

Opposition parties will now press for a referendum as early as possible, perhaps in July, to allow Mr Demirel and Mr Ecevit to return to open politics by the autumn.

Meanwhile amid signs that inflation in Turkey is once more running at an annual rate of over 40 per cent Mr Ozal has said he wants to ban publication of two of his three rival price indexes.

The Ozal Government has been unable to bring down inflation target levels for most of the period since it took office in 1983. Economists blame a continuing balance of payments deficit around $3bn a year, a budget deficit of around two per cent of gross national product (GNP) and the steady channelling of funds from the Treasury and Central Bank into inefficient public and private sector producers.

Until this year, the state Institute of Statistics which is under the Prime Minister's control, the Istanbul Chamber of Commerce, and the Treasury, have all published rival figures

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Canada's NDP surges ahead in opinion poll

BY BERNARD SIMON IN TORONTO

THE RESURGENCE of Canada's left-leaning New Democratic Party (NDP) has been dramatically confirmed by a public opinion poll which puts it, the smallest group in parliament, ahead of both the ruling Progressive Conservatives and the main opposition Liberal Party.

The NDP's rising popularity comes amid moves by Mr John Turner, the opposition leader, to tighten discipline in the Liberal Party caucus following a number of public disagreements over key policy issues.

According to a countrywide poll by Angus Reid of Winnipeg, the NDP enjoys the support of 37 per cent of decided voters, putting it ahead of the other two parties for the first time in its 26-year history.

The Liberals stand at 36 per cent, with the Conservatives trailing at 25 per cent. A Gallup Poll published yesterday continued to put the Liberals in first place.

As Canada's "party of protest", the NDP has in the past seen surges in its support between elections fade as voters shy away from its mildly socialist policies. But the results of the Reid survey indicate that the party may be emerging as a more potent and durable force in Canadian politics than it has been up to now.

With only 30 of 282 seats in the House of Commons, the New Democrats' support is traditionally centred among trade unions, academics and prairie populists. The NDP has benefited recently from disaffection with the two main parties, especially in the key province of Quebec where it has hitherto had virtually no presence.

The party, led by former political science Professor Mr Edward Broadbent, has tried to keep public attention off the more radical parts of its platform, such as a pledge to take Canada out of Nato and to nationalise one of the big Canadian banks.

Much of NDP's recent advance has come at the expense of the Liberals, whose members are sharply divided on such issues as free trade with the US, and the accord reached earlier this month to bring Quebec into the Canadian constitution.

Mr Turner warned Liberal MPs at a caucus meeting that failure to toe the party line would jeopardise the party's chances in the next federal election, expected to take place either next year or in 1989.

McFarlane fails to recall meeting with King Fahd

BY LIONEL BARBER IN WASHINGTON

MR ROBERT McFARLANE, President Reagan's former National Security Adviser yesterday said he did not recall meeting King Fahd of Saudi Arabia to solicit a contribution with the Nicaraguan Contra rebels.

The Washington Post reported that Mr McFarlane requested $8m to $10m from the Saudis in May or June 1984. A second attempt to obtain money came the following year during a state visit by King Fahd when Mr McFarlane asked the Saudi ambassador to the US for $15m.

The question of Saudi contributions to the Contras during the 1985 congressional ban on US military aid and official fund-raising has become an important and sensitive aspect of the Iran-Contra hearings on Capitol Hill. The Saudis are estimated to have sent around $30m to the Contras but US officials may have committed an illegal act in soliciting the money during the aid ban.

Yesterday, a weary looking Mr McFarlane, on his fourth day of testimony, told the House-Senate panel that he had been telephone twice by Mr Reagan in the six months since it was revealed that between $10m and $30m was diverted from secret US arms sales to Iran to the the Contras. He said Mr Reagan tol dhim this week that he thought the hearings "shed more light" on the Iran-Contra scandal.

Increased exports help shrink US trade deficit

By Stewart Fleming, US Editor, in Washington

A NEAR record surge in exports helped to shrink the US merchandise trade deficit to $13.6bn in March—compared with $15bn in February.

But the March data underscored the sluggishness in the improvement in trade picture, in value terms. Although exports rose by 12.9 per cent (or $3.6bn) to $21bn, their highest monthly level since 1981, imports also rose significantly in value terms—by $3.5bn, or 2.9 per cent, to $34.69bn.

Behind the dollar amounts, however, economists detect a continuing trend towards a decline in the real trade deficit in volume terms. The decline in the value of the dollar over the past two years makes exports cheaper, in dollar terms, and imports more expensive. Thus the volume increase in goods exported will be higher than the increase in value.

The US Administration is seeking to put the best interpretation on data which, so far this year, suggests that the trade deficit is running at an annual rate of $164bn —not far below the deficit of $166bn in 1968. It is highlighting the underlying improvement in trade volumes.

Mr Malcolm Baldrige, the Commerce Secretary, repeated Administration claims that the trade deficit is showing an "improving trend," and that the improvement is even stronger in the "price-adjusted trade flows."

Worrying to the Administration in political terms, however, is that the monthly numbers are not improving significantly. Such an improvement might help the administration in its battle with Congress over trade legislation.

Also, there were reports yesterday that the latest calculations of the 1988 budget deficit by the Office of Management and Budget indicate that the deficit picture is deteriorating again.

The White House has recalculated the 1988 budget deficit from the $108bn, contained in the president's budget in January, to $135bn.

The figures are widely dismissed on Wall Street as hopelessly optimistic.

NY insider dealing prosecutor stumbles

BY JAMES BUCHAN IN NEW YORK

FOR A YEAR, the prossecutors of insider trading on Wall Street had all the shots. Since May 12, 1986, when the arrest of Mr Dennis Levine, a managing director of Drexel Burnham Lambert, shook the securities industry, the prosecution has extracted no fewer than 10 confessions of guilt from a terrified Wall Street.

Everybody wanted to do deals. Levine informed on Mr Ivan Boesky, the arbitrageur, or speculator in takeover stocks, who informed on Mr Martin Siegel, who confessed to running an insider trading ring with three arbitrageurs at Kidder Peaboby and Goldman Sachs.

Nobody knew where the daisy-chain would end.

Mr Gary Lynch, head of enforcement at the Securities and Exchange Commission, became a household name. Mr Rudolph Giuliani, the federal district attorney in Manhattan, was mentioned as a candidate for any office he wanted—even, it was said, the highest of all.

At 5 pm on Wednesday in a New York courtroom, the prosecution was revealed for what it has always been, underneath Mr Giuliani's flair and luck—an understaffed, overworked operation faced by mountains of paper, formidable legal adversaries and ill-defined laws.

In petitioning for a dismissal of its indictment against the three traders indicated by Mr Siegel, Mr Giuliani said he needed time to prepare a more extensive case, involving other conspirators.

However, a star team of defence lawyers, which has consistently argued that Mr Siegel is a self-serving witness, accused Mr Giulinani yesterday of trying to prop up a shaky case.

Other lawyers say he has suffered a reverse which raises doubts about his ability to prosecute a trial for an offence that is notoriously hard to prove without an admission of guilt. Mr Giuliani says he will seek a new indictment, but this will be more open to challenge from defence counsel, lawyers say.

The three traders were not flamboyant outsiders like Mr Boesky, but senior executives at the most blue-chip investment firms: Mr Robert Freeman, partner in charge of risk arbitrage at Goldman Sachs; Mr Richard Wigton, former head of arbitrage at Kidder Peabody; Mr Timothy Tabor, a former Kidder arbitrageur.

The three men were arrested on February 11 and 12, and led away in handcuffs from their homes and offices as though they were common felons. They were charged with swapping information on their in two takeover battles. in two takeover batles.

Mr Giuliani submitted his surprise dismissal petition after Judge Louise Stanton had rejected his appeal on Tuesday for a delay in the trial, set for May 20, until midsummer. The prosecution, which has issued 90 subpoenas and sequestered box after box of trading records from the two firms, asked for the delay to allow time for an expanded indictment, involving at least nine takeover stocks and other individuals. The judge, though, cited the defendants' rights under the sixth amendment to a speedy trial.

On Wednesday night, Mr Giuliani insisted he had too much, not too little, evidence. "It would have been irresponsible to go to trial on that indictment, given what we now know" about a larger conspiracy, he said. However, he remains acutely vulnerable to charges of misjudgment and self publicity in order the arrests without a case to prosecute.

This is the prosecution's dilemma. The arrests were clearly designed to scare Wall Street into co-operation. But the three men have refused to co-operate and Goldman Sachs, one of the most powerful investment banks on Wall Street, has thrown all its weight behind its partner, Mr Freeman.

If Mr Giuliani fails to gain a conviction in this first trial, he will find it much harder to gain the compliance of other suspects, above all in the highly publicised investigation of the links between Mr Boesky and Drexel Burnham, the aggressive and controversial investment bank.

Lionel Barber explains the bad light cast on the White House by Iran-Contra revelations

Danger from the patriots who went beyond

MR ROBERT McFARLANE, a former top foreign policy adviser to President Ronald Reagan, is a graduate of the Alexander Haig school of languages. A former marine, who led the first combat mission in Vietnam, in 1965, Mr McFarlane is an expert at mutilating his mother tongue.

"I thought Ollie was surely the most mission-oriented, can-do professional on the staff," he declared this week before the joint Congressional hearing on the Iran-Contra affair, "and I believe the interpretation of guidance I had given him would probably be, certainly carried out, but that probably he would on occasion go beyond."

Mr McFarlane's sombre, almost somnambulant, style and his description of a former White House colleague, Lt Col Oliver North, is deceptively anodyne. Without question, what he has told the House-Senate hearing, in more than 14 hours of testimony, has been both illuminating to the general public and damaging to Mr Reagan.

He began on Monday morning, in the House Foreign Affairs Committee room at the Rayburn Building in the Capitol. The space was cramped and Mr McFarlane, accompanied by his crisply attired attorney, Mr Leonard [illegible], looked very tense.

His opening statement went to the heart of the affair, portraying an administration at war with itself and with Congress over a main issue of foreign policy: How to cope with a hostile regime in Nicaragua which appeared bent on fomenting unrest elsewhere in Central America.

"There was a powerful—and, to many, a persuasive—case that to lose in Nicaragua would invite the Soviets to step up their investment in aggression significantly in other developing nations of the world," he said, in a variation on the domino theory applied to Vietnam, Laos and Cambodia in the 1960s.

Then, however, he accurately characterised the Reagan administration's fundamental mistake: "If we had such a large strategic stake, it was clearly unwise to rely on covert activity as the core of our policy."

In the ten days since the Congressional hearing on the affair opened, Mr McFarlane and the first witness, retired Major-Gen Richard Secord, have revealed in gruesome detail what happens when a covert policy goes wrong, and how it is impossible to rally the public behind a policy one cannot talk about openly.

The hearing has already shown how the Reagan administration allowed its foreign policy towards Nicaragua and Iran ot be hijacked by a small number of people who, however, dedicated to their country, were simply not up to the job. Also revealed is how the President and his closest advisers (especially Mr William Casey, the late director of the Central Intelligence Agency) simply refused to be bound by the will of the US Congress on the matter of aid to the Contras.

> Without question, what the former National Security Adviser has told the panel, in more than 14 hours of testimony, has been both illuminating to the general public and damaging to President Reagan

This is the wider canvas of the Iran-Contra hearing and one which will come into sharper focus in the next weeks. It explains, too, why the 26 senators and congressmen on the House-Senate panel take their job so seriously. The yare reasserting the constitutional right of Congress, along with the president, to shape foreign policy.

The lawmakers—among them several trained attorneys and two former federal judges, Senator Howell Heflin of Alabama and Senator George Mitchell of Maine—are exacting retribution. On several occasions in 1985, Mr McFarlane, then National Security Adviser, at best misled, at worst lied to, Congress about the activities of Col North in fund-raising for the Contras and in providing them with paramilitary advice.

In one illuminating incident described this week, Mr McFarlane said he had dug out several incriminating National Security Council files about Col North and the Contras, in response to repeated questions from Congressman Michael Barnes, a Democrat from Maryland.

Mr McFarlane questioned Col North and received his "personal certification" that he (North) was within the law. Later, Mr McFarlane invited Mr Barnes to his White House office to examine the damaging files, but they were among a stack of papers piled on the desk and Mr McFarlane abruptly announced he had to cut the meeting to 20 minutes. Mr Barnes, sensing the impossibility, left the files intact and missed the scoop of the year.

This week, Mr McFarlane does not appear half as smart. Like Gen Secord in week one, he has been gradually worn down by relentless questioning until he exploded with frustration. Asked by Congressman Peter Rodino, who led House impeachment proceedings against President Richard Nixon in the Watergate hearings 13 years ago, if he knew of Col North's shredding of documents and possible obstruction of justice, Mr McFarlane blurted out: "That's right, and I deserve responsibility and I ought to be prosecuted to the full extent of the law and sent away."

This is the unspoken message in the hearings: Witnesses testifying without limited immunity can incriminate themselves and others.

The White House, forced by embarrassing testimony to abandon its earlier stance of not commenting on the hearing, is getting edgy. The President's active role in support of the Contras is being gradually drawn out in public. With Col North and Vice-Admiral John Poindexter, Mr McFarlane's successor as National Security Adviser, to testify next month, things can only get worse for the president.

OVERSEAS NEWS

Battle for Nakasone successor opens

By Ian Rodger in Tokyo

THE BATTLE to succeed Mr Yasuhiro Nakasone as Japan's Prime Minister opened yesterday as the first candidate declared himself.

He is Mr Susumu Nikaido, a former vice president of the ruling Liberal Democratic Party who led an abortive attempt three years ago to form a coalition with two opposition parties and oust Mr Nakasone from the Prime Minister's chair.

Mr Nikaido is 77 and is seen by political observers in Tokyo as a potential compromise candidate, someone who could emerge and rule for a short time if none of the acknowledged front runners attract enough support.

Mr Nakasone's term as LDP president and Prime Minister ends in October.

Mr Nikaido said at a Press conference yesterday that he was running to help unify the Tanaka faction, of which he is the head, but political observers doubted that he would succeed. Unity in the Tanaka faction, the largest within the LDP, has been strained since 1984.

Australia plans radical industrial relations reform

BY CHRIS SHERWELL IN CANBERRA

AUSTRALIA'S Labor Party Government yesterday introduced leglislation overhauling the country's highly institutionalised industrial relations system, but immediately met loud criticism from the opposition and business community.

The new 380-clause Industrial Relations Bill will replace the 83-year-old Conciliation and Arbitration Act. It modifies the old institutional framework, adjusts the way disputes are settled, toughens the means to ensure compliance and encourages changes in trade union structure.

But Mr John Howard, leader of the opposition Liberal Party, said yesterday it showed the Government was prepared to put trade unions above the ordinary courts of the country.

Loudly echoing the complaint, the Confederation of Australian Industry said it gave trade unions increased scope to take industrial action with impunity.

The worries focus on the elimination of access to the common law to secure injunctions against industrial action, and the tougher barriers to action against unions in secondary boycott disputes.

Action under the Trade Practices Act over secondary boycott disputes must now be referred first to the new Industrial Relations Commission, which replaces the old Conciliation and Arbitration Commission. This commission is granted much wider jurisdiction than its predecessor, and is given the means to enforce its authority and secure compliance with its decisions.

Under the new arrangements, the commission must first seek to resolve a secondary boycott dispute before it is referred to the second new body, the Labour Court, which replaces the Industrial Division of the Federal Court.

Employers say the whole process will take too long, both in this sort of case and in respect of injunctions, which must now be obtained from the Labour Court and not through the common law. The Government, insisting the intention is not to limit employer responses, says employers should not be pursuing injunctive relief in two courts and unions should not be facing double jeopardy.

The Government also says that in the current controversial case of Queensland, where the State Government has recently introduced the toughest anti-union laws seen in Australia, workers will gain considerable protection because of the primacy given to federal law. Over this, too, many employers have reservations.

Opposition leader assails Labor over mini-budget

BY CHRIS SHERWELL

AUSTRALIA'S political opposition yesterday reacted critically to the Labor Government's mini-budget on Wednesday, but local financial markets responded indifferently as the savings measures and the latest balance of payments figures met expectations.

John Howard

In a powerful attack on the economic performance of Prime Minister Bob Hawke's Government, Mr John Howard, leader of the Liberal Party, accused Labor of presiding over the largest fall in Australian living standards in 30 years.

After seven budgets and mini-budgets the Government could no longer hide behind the alibis of the previous government or external circumstances, he said. Labor had made matters worse by not responding quickly enough, and still could not offer any hope of fundamental changes.

"This is the biggest spending, biggest taxing government in peacetime history," he said. Of the A$4bn (£1.7bn) reduction announced in the prospective budget deficit, only A$1.6bn was due to savings in the Government's own spending.

In domestic financial markets, short-term interest rates fell further and the Australian dollar moved little in response to the mini-budget and the April balance of payments figures released yesterday.

The figures showed the visible trade balance slipping back into the red, having registered an encouraging surplus in three of the previous four months. The current account deficit was A$996m, up from A$815m the previous month and the third increase in a row.

Optimism on New Zealand rates

By Jonathan Wicks in Zurich

NEW ZEALAND'S interest rates are likely to show a gradual decline over the coming 12 to 18 months, according to Mr Roger Douglas, the Finance Minister.

Long-term rates are running at some 17 to 18 per cent and short-term interest levels at around 25 per cent.

Speaking in Zurich yesterday, Mr Douglas said falling interest rates should accompany a noticeable slowdown in inflation. For the fiscal year ending March 31, 1988, the inflation rate was estimated at 7 to 10 per cent.

In comparison, the consumer price index had risen in 1986-87 by some 18.3 per cent in New Zealand, according to government figures.

Gross domestic product (GDP) which had shown real-terms growth of 2.2 per cent last year, is virtually flat. However, the minister indicated that the economy was doing better than had been expected. Instead of what had earlier been seen as a decline in real GDP, this would probably rise by some 0.6 per cent in fiscal 1988, according to latest forecasts.

Unemployment, said Mr Douglas, was likely to stay at around the 4 per cent level or perhaps slightly higher. This reflected a restructuring of the New Zealand economy, however, with job losses in some sectors being offset by job creation in others.

He stressed the importance of so-called "corporatisation," the privatising of government businesses.

Robert Thomson in Peking on clouds over a special zone

Shenzhen out of favour

WHEN THE Shenzhen special economic zone was launched eight years ago, the Chinese Government intended that it and the country's three other zones would be "windows on the world". But Communist Party officials in Peking have decided that the zone's outlook is often not to their liking.

Shenzhen is China's twilight zone. It is just across the border from Hong Kong and half way to capitalism, or at least that is what Peking would like foreign investors to think and that is certainly the feeling of numerous conservative Politburo members who reckon that Shenzhen is too special for its own good.

The zone, intended as a model for urban development, has become a model of ideological impropriety. Two newspapers, the Shenzhen Youth Herald and the special zone Workers' Daily, have been closed in recent weeks, and a literary magazine, Special Zone Literature, has been suspended as part of the campaign against "bourgeois liberalism". The brash Youth Herald made the mistake of suggesting that China's leader, Deng Xiaoping, 82, should retire.

These political problems have added weight to the arguments of conservatives that Shenzhen is a failed "experiment" – Deng himself has called the venture an "experiment". "If it fails, we can draw lessons from it," he said.

Shenzhen's economic contributions are debatable. While officials point out that annual output has grown from $18m in 1979 to $1.6bn last year and that foreign investment this year is expected to rise 13 per cent to around $500m, the zone has failed to reach key targets for exports and technology transfer.

Of the zone's output 70 per cent is supposed to be exported, but the present official figure is 45 per cent, and the real export figure is lower, as goods are regularly exported to Hong Kong, then re-exported to inland Chinese cities awash with consumer cash.

The official responsible for the "open door" policy, Gu Mu, a state councillor, assured that the zone would have Peking's continuing support, despite persistent rumours in the Chinese capital that development funding will be slowed significantly. Those rumours have gathered momentum with the coming of the campaign against bourgeois liberalism.

As for the ideological indiscretions, Gu said that Shenzhen will be "special" because of its extra vigilance in opposing Western influence. Officials in Shenzhen are wary of the campaign; so wary that one admitted to wearing cloth shoes in place of his better quality leather variety to show he is abiding by the calls for "thrift" and "sruggle."

Wang Hanyong has felt the heat of the anti-Western campaign. Wang, chief of the zone's Information Department and responsible for its wayward newspapers, admitted that he had been attacked. "My department has been criticised and they have criticised me. We have learned from this experience," he said.

While Wang has kept his job, the editors of the two closed papers are awaiting reassignment. Shenzhen's vice-mayor, Zou Erkang, said that they could continue writing, but whether their material would be published is another matter. The zone had lured many of China's more confident young journalists and writers, who presumed that the wide-ranging economic licence would be matched by artistic licence.

The Youth Herald had published the thoughts of three party members expelled in recent weeks and repeatedly pilloried in the mainstream press: a journalist, Liu Binyan, a writer, Wang Ruowang, and an outspoken astro-physicist, Professor Fang Lizhi.

Hong Kong and Peking compete for influence here. Most Chinese watch Hong Kong television, mainly because the local product is on the soporific side of boring, and follow Hong Kong fashions. Taxi drivers openly ridicule foreigners who attempt to pay them in Chinese currency and not Hong Kong dollars, while Hong Kong trucks with dual registration cross the border freely.

Zou Erkang said cadres in Shenzhen have to be more careful than in other parts of the country because "they have more chance to mix with foreigners." Our cadres, he said "should make themselves more pure" and the "struggle against bourgeois liberalism is to create a more pure Shenzhen."

Israel in two minds over foreign policy

By Andrew Whitley in Jerusalem

THE BITTER contest between Labour and Likud, unhappy partners in the near-moribund national unity government, for control over the country's foreign policy degenerated into open warfare yesterday as both sides told foreign governments that they spoke for Israel.

In Washington, Mr Yosef ben-Aharon, a top aide to Prime Minister Yitzhak Shamir, said he had told the Reagan Administration that the US-backed proposal for a Middle East peace conference was dead. No Israeli government member would be permitted to pursue the conference proposal, he added.

"I met people in the White House and, in the name of the Prime Minister, I informed them that following the debates in the Cabinet (on Wednesday), the subject of an international conference is finished," said Mr ben-Aharon, director general of Mr Shamir's office.

But the Foreign Ministry in Jerusalem, run by Mr Shimon Peres, the Labour leader, is taking a diametrically opposite view, urging Israeli embassies abroad to support Labour's line.

On the eve of Mr Peres's departure for urgent talks in Washington, Mr Yossi Beilin, the ministry's senior official, sent a circular to all ambassies stating that, as no decision had been taken at the deadlocked meeting of the inner Cabinet, Mr Peres would continue to pursue negotiations towards a peace conference.

In defiance of the Prime Minister, Mr Peres said he would be asking Mr George Shultz, the US Secretary of State, what the US suggested "to keep the peace process alive." On Wednesday night Mr Shamir had warned anyone talking to the Foreign Minister that "Mr Peres does not speak in he name of the Government."

Lebanon to alter banknotes

By Nora Boustany in Beirut

THE CENTRAL Bank of Lebanon has proposed the issue of banknotes in larger denominations to avoid the cumbersome transportation of huge piles of money for simple daily transactions, Mr Megerditch Bouldoukian, the vice governor, said yesterday.

The central council of the Central Bank agreed on the measure Wednesday but parliamentary approval is required for the amendment of the money and credit law, according to Mr Tewfic Chambord, a legal counsellor at the Banque du Liban. An estimated inflation rate of 300 per cent and a greatly diminished purchasing power of the Lebanese pound prompted central bank officials to consider issuing L£500 and L£1,000 (£2.60 and £5.20) notes.

Sri Lanka may drop plan to capture Jaffna

BY JOHN ELLIOTT IN COLOMBO

PRESSURE is growing on Mr Junius Jayawardene, president of Sri Lanka, to abandon plans his Government is believed to have drawn up to try to capture the city of Jaffna, stronghold of the Tamil separatist movement

The Government is believed to have estimated that an attack could lead to as many as 10000 civilian casualties, and up to 1,000 troops. The civilian estimate is supported by Tamil leaders who know the densely populated city well.

Mr Rajiv Gandhi, Indian Prime Minister, is to be asked this weekend by moderate political leaders of the Tamils based in the southern Indian city of Madras to launch an international appeal for the United Nations to provide a peace-keeping force.

The Government started the raids after a big bomb blast in the capital of Colombo three weeks ago. Tamil extremists have been blamed for the blast by the Government. But spokesmen of the two active Tamil extremists groups, the Tamil Tigers (LTTE) and the Eelam Revolutionary Organisation (Eros) based in Madras, yesterday both repeated earlier denials that their people were involved.

Both moderate and extremist leaders of the Tamils are also warning that it would be impossible for them to reopen talks with the Sri Lankan Government on a settlement of the Tamils' demands for regional devolution and the creation of a homeland in the aftermath of mass casualties on the scale forecast for a Jaffna city battle.

However there is considerable attraction for the Sri Lankan Government to stage the attack because capturing Jaffna would take the heart out of the extremists' campaign of violence which has escalated in the past four years.

Maggie Ford reports on the anniversary of the Kwangju uprising

S Koreans have democracy in mind

MOON JAE HAK, a student at Kwangju commercial high school, was only five days short of his 18th birthday when he died seven years ago. Along with 100 others killed by troops sent in to crush a people's rebellion, his body lies in the municipal cemetery.

On Monday, the anniversary of the first day of the uprising, the cemetery will again be the focus of the South Korean people's resentment at the lack of democratic change in the country. A memorial mass for the victims and a march to the cemetery are planned and a substantial turnout of protestors is expected.

This weekend's anniversary comes at a time of growing political tension in the country. Last month President Chun Doo Hwan announced that because of divisions within the opposition parties and stalled negotiations, he was calling off plans to revise the constitution.

In the interests of stability, a new president would be elected under the old constitution, under which the opposition cannot gain, and democratic reform would be put off until after the Seoul Olympic Games in 1988.

The decision has deepened the unpopularity of the Chun Government and led to increasing protests by opposition leaders, students, academics, religious leaders and other dissident groups. Despite the Government's obvious success in improving the economy and raising living standards, South Koreans appear united in their dislike of the country's leadership. The rebellion at Kwangju is at the root of their discontent.

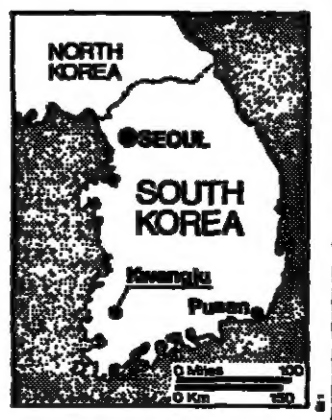
The events of May 1980 came in the aftermath of the assassination of President Park Chung Hee, Mr Chun's predecessor, who had himself taken power in a military coup 19 years earlier.

The assassination followed a series of student demonstrations over the withdrawal of political rights from Mr Kim Young Sam, one of South Korea's two main political leaders, who was then head of the main opposition party. An interim period followed in which, although the country was under martial law, there were hopes that democratic change could be accomplished. Mr Kim Dae Jung, South Korea's other leading opposition politician, was released from house arrest and led a strong campaign for swift democratic change.

He did not, however, reckon on the speed with which Mr Chun, then a three star general in charge of the investigation of President Park's killing, would move. Along with a number of colleagues, including Mr Roh Tae Woo, presently chairman of the ruling Democratic Justice Party and the likely next president, Mr Chun staged what was effectively a coup in December 1979.

Mr Kim is the favourite son of the people of Cholla province, one of the poorest areas in South Korea. His home town of Mokpo, where he was brought up by his fisherman father in impoverished circumstances, is only about 40 miles from Kwangju, the provincial capital.

The people of Kwangju, outraged at seeing their hero back in jail, rose up against the martial law administrators. Led by students, the people took over the town, holding it for nine days until they were forced to surrender by the army. The death toll was officially just



under 200, but church and opposition estimates put it much higher.

Anger and resentment at the military's harsh treatment persists to this day. But the strong feelings of the people of Cholla province against the Government are not based only on the violence of 1980. This agricultural province has also been deprived of most of the benefits of South Korea's economic boom.

The visitor travelling from Pusan to Kwangju cannot help but notice the difference. Apart from new buildings for universities and colleges, few new apartments or industrial estates are evident. Roads are poorly maintained, although noticeably less packed with traffic than elsewhere. Per capita income in the Cholla area is almost half that of the capital and only 73 per cent of the average nationwide. Were it not for the clear disparity in the people's standard of living, the lack of development would be a blessing in disguise. For the city retains the pleasant air of a country university town, with winding streets, attractive cafes and an intellectual atmosphere.

This weekend that atmosphere is likely to be polluted by tear gas as the authorities seek to prevent violent incidents when Kwangju, and the nation, remembers its dead.

Neither Mr Kim Dae Jung, again under continuous house arrest, nor Mr Kim Young Sam, again threatened with government action against his political activities, can be there. For them, both the parallels and the differences between 1980 and 1987 are striking and promising. For a start, they are working together, not in competition. Second, they do not believe there is an ambitious clique in the military hoping to take power.

Democracy will be on everyone's minds this weekend at what is sure to be an even more emotional anniversary than usual. As one Kwangju churchman said: "President Chun says he will step down at the end of his term next February. This is our last chance to show him how we feel about the way he took power."

Plessey awarded A$350m radio defence order

BY TERRY DODSWORTH

PLESSEY, the UK electronics group, has won an A$350m (£160m) contract from the Australian Ministry of Defence for a new tactical radio communications system.

Mr Kim Beazley, Australia's Minister of Defence, announced yesterday that the radio equipment programme, codenamed Raven, would go ahead shortly. It follows a £20m contract to Plessey to develop the system.

Final details of the contract are being negotiated.

Plessey will be manufacturing most of the new equipment in its Australian plant at Meadowbank, New South Wales, where about 600 jobs will be created. Production is expected to continue into the early 1990s as a result of further projected orders.

Raven, one of the largest tactical radio contracts ever awarded, makes use of the latest generation of frequency-hopping radio techniques to prevent eavesdropping and jamming by enemy operators.

The system is aimed at communications between field units and headquarters, and is small enough to be carried by infantrymen in their backpacks, as well as being mounted in battlefield vehicles.

"Australian sub-contractors will have a major manufacturing involvement and a wide range of other companies will have associated involvement through the provision of component parts and assemblies," Mr Beazley said.

Plessey has recently emphasised the Raven project as evidence of its ability to maintain the sales of its defence business when UK defence spending is stagnating and overseas activity is shrinking.

UK defence companies have been particularly hard hit by a decline in contracts from the Middle East—a buoyant market for communications systems until the slump in oil prices that led to cuts in defence budgets.

Several large British defence groups, including Plessey, have announced redundancies in the UK recently to adjust to the reduction in overseas markets.

Pakistan, France fail to settle N-plant dispute

BY MOHAMMAD AFTAB IN ISLAMABAD

PAKISTAN and France have failed to reach settlement of a multi-million-dollar dispute over cancellation of a nuclear reprocessing plant, a Pakistani foreign ministry spokesman said.

Mr Jean Bernard Raimond, Foreign Minister, had talks with his counterpart, Sahabzada Yaqus Khan of Pakistan, last week to discuss an out-of-court settlement of the dispute, which arose over French cancellation of the nuclear reprocessing plant, to be built under a 1974 agreement.

The plant was to have been built by the French state-owned Saint Gobain group.

But Paris pulled out of the contract and told Saint Gobain not to supply the plant. under pressure from the US. The then President Jimmy Carter had asked France to cancel the deal because he feared Islamabad might use the plant ultimately to develop nuclear weapons.

Pakistani and French officials refuse to say how much compensation Islamabad is asking for cancellation of the deal. But the figure is believed to run to $600m (£375m). The cost of the original plant has never been disclosed.

Mr Raimond had proposed that Pakistan agree to an out-of-court settlement for the compensation after which Paris will agree to a Pakistani request to build a 900MW civilian nuclear power plant at Chashma, in Central Pakistan.

The Chashma power plant is needed to overcome Pakistan's chronic power shortage which has held up the growth of new industry, and badly hit other sectors of the economy.

BATTLE FOR CANADA CONTRACT

Icebreaker deal is test of prestige

BY BERNARD SIMON IN TORONTO AND OLLI VIRTANEN IN HELSINKI

AN ATTEMPT by the Canadian Government to score political points in the province of British Columbia has turned a bid to design the world's biggest icebreaker into a complex struggle for control of an ailing Vancouver shipyard.

With several leading icebreaker specialists from Europe and North America involved in the contest, the design and construction of the 194 metre-long vessel, known as the Polar 8, has also become an important test of prestige in a little-known but intensely competitive industry.

The Polar Icebreaker Canadian Design Group, one of two consortia bidding for the contract, appeared to gain the upper hand when it announced plans recently to form a design and construction partnership with Versatile Pacific Shipyards (VPS) of Vancouver.

VPS was named by the Federal Department of Transport two months ago as the Government's favoured candidate to build the C$320m (£144m) icebreaker, which will help safeguard Canada's interests in the vast Arctic archipelago.

Three cabinet ministers flew to Vancouver in March to make the original announcement, reflecting the strong political overtones in the choice of VPS. With the conservative Government of Prime Minister Brian Mulroney anxious to shore up sagging support in Western Canada, the icebreaker contract would give a new lease of life to VPS and to its debt-burdened parent company Versatile Corporation of Vancouver.

Versatile, once a shining star of British Columbia business, has recently been on the brink of collapse. It has already had to sell most of its other businesses, including a Winnipeg-based farm machinery maker, two Quebec shipyards and a Vancouver cold storage operation. The company's 1986 losses of C$82m equalled almost a quarter of its revenues.

In view of Versatile's financial problems, the Government will not finalise the Polar 8 contract until VPS meets a number of stringent conditions. These include posting a C$100m performance bond and demonstrating the technical ability to design a vessel capable of maintaining a speed of three knots through ice 2.5 metres thick.

VPS is in no position to meet these conditions alone, thereby creating an opening for the second design consortium, Western Shipyards, led by the large Finnish shipbuilding group Wartsila Marine.

Besides bidding for the design contract, Wartsila and its three Canadian partners have offered to buy the Versatile shipyard. Its partners include Montreal-based Lavalin, Canada's biggest engineering and project management group.

The Wartsila group is undaunted by VPS's announcement that it plans to link up with Polar Icebreaker Group, led by marine engineers Sandwell Swan Wooster.

An official at Wartsila's Vancouver-based Canadian subsidiary says that "whatever arrangements Versatile makes, the Government has an absolute veto." Versatile's creditors are also likely to play a role in deciding its fate.

An attempt to score political points has turned a bid to design the world's biggest icebreaker into a struggle for control of an ailing shipyard

The Wartsila official adds that "it's a question of which consortium has the best proposal as regards all elements of the programme, including the viability of the West coast shipyard."

Wartsila badly needs the Canadian contract. Although it has garnered two-thirds of the world icebreaker market, the Finnish company has recently had financial problems of its own, stemming from the depressed state of the world shipbuilding industry.

Earlier this year, Wartsila lost a valuable Swedish order to a design submitted by Calgary-based Canadian Marine Drilling (Canmar)—which is a member of the rival Polar Icebreaker Consortium bidding for the Canadian contract.

Despite its recent successes in the marketplace, Canmar has the disadvantage of being a subsidiary of the embattled Calgary oil and gas producer Dome Petroleum. Dome, with debts of C$8.4bn, is presently the target of a controversial takeover bid by the US oil company Amoco.

The Wartsila consortium is crossing fingers that doubts about the future of Dome and Canmar will still help tip the scales for the Polar 8 contract in its favour.

The shipyard insists, however, that it is not for sale.

Yeutter optimistic on world farm trade reform

BY WILLIAM DULLFORCE IN GENEVA

THE ministerial talks at the Organisation for Economic Co-operation and Development (OECD) have given an "excellent momentum" towards reform of world agricultural trade, Mr Clayton Yeutter, US Trade Representative, said in Geneva yesterday.

He hoped that further momentum would be added at the Venice Summit on June 8-10.

The heads of government of the seven leading industrial powers would then have the opportunity to articulate a political commitment to agricultural reform and to focus on specific issues to be dealt with in the current trade-liberalising round under the General Agreement on Tariffs and Trade (Gatt), Mr Yeutter said.

In a sanguine summing-up of the OECD meeting, Mr Yeutter was also "cautiously optimistic" that "constructive" US trade legislation would emerge from the consultations between the Reagan Administration, the House and the Senate which will peak in mid-July.

To reassure Gatt delegates concerned about the direction of US trade policy, Mr Yeutter insisted that President Reagan would not compromise on his free trade principles.

The Administration was working hard to obtain acceptable legislation and the trade bill would be Mr Yeutter's own priority for the next two to three months.

The US House of Representatives last month adopted a stringent trade bill which would force the President to retaliate against nations running high trade surpluses with the US.

But Mr Yeutter said a protectionist bill was "unlikely" to emerge from the consultations. It could be a tough bill but toughness was not synonymous with protectionist.

Mr Yeutter described the OECD ministers' statement on agricultural reform this week as "without doubt the most comprehensive and forward-looking" he had ever seen from an international forum.

But he was guarded about the prospects for quick results on farm trade in the Gatt round and opposed an OECD secretariat proposal for a 10 per cent across-the-board cut in farm subsidies.

Mr Clayton Yeutter

Farm trade talks should not focus on "short-term quick fixes" such as the OECD's proposed 10 per cent subsidies cut, Mr Yeutter said. Long-term solutions that would serve for many years should be sought.

But the US trade representative was more enthusiastic about an OECD scheme for measuring a country's use of subsidies by calculating so-called Producer Subsidy Equivalents and Consumer subsidy Equivalents.

This was the best "mouse-trap" produced so far for catching subsidy levels and could well form a basis for the Gatt negotiations, Mr Yeutter said.

He rebuffed charges that the US aggressiveness in settling bilateral trade disputes and failure to observe the standstill commitment made by trade ministers when launching Gat[t] Uruguay Round last year w[as] clouding the climate of the Ga[tt] talks.

Under the standsti[ll] countries undertake not [to] introduce new protection[ist] measures while the Round [is] on.

World trade was big busines[s]; bilateral disputes were inev[it]able even while trade libera[li]sation was being discussed a[nd] they had to be managed in [a] reasonable and amicab[le] manner.

For a country with a $170[bn] (£106bn) annual trade defic[it] the US had been behavi[ng] remarkably well, Mr Yeutt[er] said. "Some of us are worki[ng] 18 hours a day to preserve a[n] open trading system," he adde[d].

China textile exports to US likely to stall by mid-year

BY ROBERT THOMSON IN PEKING

CHINA'S textile exports to the US, which rose by 63 per cent last year, are likely to stall around the middle of this year because it is rapidly filling its textile quotas.

Industry officials in Peking suggest that about 20 per cent of quotas — 80 per cent of Chinese textile and apparel categories are covered by quotas — have been filled, and US textile importers are concerned that busines will dry up after July.

China has previously eaten into the following year's allocations when quotas have been filled, but a US-China textile agreement expires this year and no quotas have yet been agreed for 1988.

The second round of negotiations for a new agreement ended last week in Canton in the south, and US officials in China are not willing to say when the new pact will be finalised.

"There is only enough room in the quotas for the US for the first six months," said the Peking representative of a US textile importer specialising in partly-finished cotton garments. "I don't know what we are going to do after that."

China's Ministry of Foreign Economic Relations and Trade (Mofert) has highlighted the faking of export licences in Hong Kong as a major reason for the over-supply.

However, US industry officials believe the problem is not as serious as China suggests, and that a far more important factor is the lack of co-ordination among provincial import and export corporations.

The provincial corporations are known to have more licences than allowed by Mofert in Peking, and have given individual factories much higher export quotas than permitted under the state plan.

US customs officers have this year been working more closely with US-based Chinese trade officials, who are advising on the legality of suspect export licences. The goods are held by customs, and companies stuck with the fake licences stand to lose significant amounts.

A Peking representative for the National Council for US-China Trade, Mr Andrew Ness, said that a major US importer unwittingly caught with a fake licence had a landmark victory in the past week by convincing Mofert to authorise the issue of a valid export licence and an additional quota allocation.

Mr Ness said it was unclear if the Chinese ministry will be as generous to other, smaller US importers.

During a visit several wee[ks] ago, the US Commerce Secr[e]tary, Mr Malcolm Baldrig[e] emphasised, Washington's co[n]cern over the leap in texti[le] exports, which has made Chi[na] the largest exporter by volum[e] to the US. Mr Baldrige sa[id] that unless growth slows sig[ni]ficantly, "we will have [a] chaotic situation."

Chinese exports have [in]creased in tandem with U[S] industry pressure to introdu[ce] protectionist legislation.

Westland orders fail to save 1,155 jobs

By Lynton McLain

WESTLAND, the UK helicopter manufacturer, is to make 1,155 employees redundant at its assembly factory at Yeovil, Somerset, south-west England.

This announcement follows the Government's decision, earlier this month, to order £300m worth of helicopters, partly to help fill the company's depleted order books.

The redundancies at Yeovil also come just over a month after Westland said it wanted to make 925 employees redundant at its Weston-Super-Mare factory, although the final figure is still being negotiated with the trade unions.

The latest job losses fall most heavily on technical grades at Yeovil, where 330 technical staff are to be made redundant. A total of 275 direct production staff, and 310 indirect production staff, will lose their jobs. A further 340 jobs are to go in management, supervisory and clerical grades.

The Ministry of Defence order last month was for 25 Anglo-Italian EH101 helicopters, 18 Lynx and seven Sea King helicopters. The orders were insufficient to fill Westland's order book, because the EH101 orders will not be fullfilled for some year, leaving Westland with the small Lynx and Sea King orders to help mitigate the current shortfall in the order book.

Tony Jackson writes: ICI is to create 150 jobs on Teesside, in north-east England with the expansion of research laboratories at its Wilton petrochemicals complex.

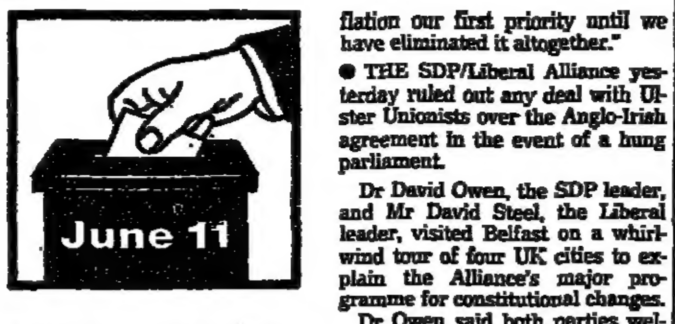
The group said the expansion, with a capital cost of £7.5m, was caused by growing demand from customers for research into projects involving plastics

Tax cuts set theme for Conservative manifesto

BY PETER RIDDELL, POLITICAL EDITOR

CUTS in income tax, more privatisation and even wider share ownership were yesterday promised by Mr Nigel Lawson, the Chancellor of the Exchequer, as further opinion polls pointed to a large Conservative lead, in the run-up to the general election.

He set out the central theme of next Tuesday's Conservative Party manifesto, "moving forward", as Mrs Margaret Thatcher warned against complacency at an end of a meeting of the party's backbench 1922 committee.



The Prime Minister has been advised by senior colleagues not to talk again in the campaign, as she did in interviews last Monday, about seeking a fourth term since this risks alienating potential supporters by implying that she believes that a third term is hers by right.

Mr Lawson said the manifesto would "set out in the clearest possible terms what we propose to do in our third term." He outlined an agenda including a further reduction in "burden of income tax, with a basic rate of no more than 25p in the pound," pressing ahead with "a further major privatisation programme" and pushing "the boundaries of popular capitalism still further" with even wider share ownership.

The Government, he said, would "continue to make the defeat of inflation our first priority until we have eliminated it altogether."

● THE SDP/Liberal Alliance yesterday ruled out any deal with Ulster Unionists over the Anglo-Irish agreement in the event of a hung parliament.

Dr David Owen, the SDP leader, and Mr David Steel, the Liberal leader, visited Belfast on a whirlwind tour of four UK cities to explain the Alliance's major programme for constitutional changes.

Dr Owen said both parties welcomed the Anglo-Irish agreement in an improved dialogue between London and Dublin which actually strengthened the United Kingdom.

Mr Steel said that while they were open to suggestions about Ulster from other parties and would welcome constructive proposals from Unionists, there was no question over the agreement being scrapped because of "some arithmetical equation at Westminster."

Tide flowing our way, says Lawson

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

TORY PARTY activists in Scotland yesterday shook off the gloom and uncertainty that has afflicted them for months as their annual conference got under way at Perth – and was for the second time in four years used as a springboard for their party's general election campaign.

The party faithful arrived at the conference in good humour, thanks to a Mori opinion poll published yesterday which put them in second place to Labour in Scotland for the first time in many months.

Mr Nigel Lawson, Chancellor of the Exchequer, who replied to a debate that had unstintingly lauded his economic policy, gave a warning that victory in the general election could not be taken for granted. "We should never underestimate the opposition, they have advantages as well as their manifest disabilities."

But he concluded: "Never underestimate the importance of the tide of ideas. No British government has ever been defeated unless and until the tide of ideas has turned against it. And far from turning, the tide of ideas that swept us into office is flowing even more strongly today."

The underlying message was that radical Conservative policies might be unpopular but they were necessary. The economy was going through a period of fundamental if painful transformation. But, as Mr Norman Tebbit, party chairman, said, prosperity had spread from the south of England to the Midlands and now it was reaching Scotland.

This was just part of a warm-up for tonight's rally where Mrs Margaret Thatcher will formally launch her election campaign.

Jobless total falls, but stays above 3m

By Janet Bush

THE GOVERNMENT'S official unemployment total fell last month for the tenth successive month but still remained above the politically sensitive 3m mark.

Lord Young, Employment Secretary, hailed yesterday's figures as "extremely good news" and said that no-one could ask for more evidence that the Government's economic policy was working.

However, he faced a barrage of criticism from opposition parties and an independent employment research group who unanimously asserted that the Government had massaged the figures downwards. They asserted that the fall in the total over the last year had largely been due to creative statistics and the Government's special employment schemes.

The seasonally adjusted total of those eligible for unemployment benefit fell by 19,600 last month to 3.020m while the unadjusted total, which includes school leavers, dropped 36,242 to 3.107m.

The Employment Department yesterday said that the seasonally adjusted measure of unemployment had fallen by an average of 23,300 each month for the past six months and Lord Young said that the strong downward trend continued.

He hit out at claims that the Government had "fiddled" the unemployment figures. "Those whose only contribution to the debate on unemployment is to cast doubt on the figures should consider that there has been no change in the way the figures are compiled since March 1986, and this is well before the current downtrend started," he said.

Lord Young made no mention yesterday of the impact of special employment measures on the count. Last month, however, he acknowledged that the impact on the count of the Restart programme, aimed at helping long-term unemployed find jobs, was difficult to quantify and therefore so too was the impact of faster economic growth.

Mr Jon Shields, director of Charter for Jobs, the employment pressure group, and a former senior Treasury forecaster, said that had it not been for statistical changes made to the count since 1983 and Government job programmes, the level would now be nearer 3.5m.

Electronics groups blamed for over-reliance on governments

BY TERRY DODSWORTH AND DAVID THOMAS

FT CONFERENCE
World electronics

STRONG DISAGREEMENTS about whether European governments should support their domestic electronics manufacturers emerged at the second day of the FT's World Electronics Conference in London.

Mr Henry Ergas, counsellor to the Organisation for Economic Cooperation and Development (OECD), argued that the poor performance of European electronics companies was because of their over-reliance on their governments for orders, investment, and research and development (R & D) funding.

A new generation of managers in the European electronics industry was beginning to shape global strategies, but the commitment of some European governments to open markets, particularly in telecommunications, was often little more than rhetoric.

European electronics manufacturers had performed badly compared with US and Japanese competitors since the early 1970s. The best figures available suggested that they needed heavier amounts of investments and more workers to generate the same amount of value added.

Moreover, despite worries about declining US competitiveness, US productivity growth in electronics remained comfortably above the European average. The relative competitiveness of the European electronics industry had declined more rapidly than that of the rest of European manufacturing.

This poor performance could not be explained in terms of the small size of European operations, either in terms of companies or markets though macro-economic factors such as higher labour costs, provided a partial explanation.

Sir James Blyth, managing director of plessey, said sales of telecommunications equipment were growing most rapidly in markets where deregulation was most advanced, particularly if deregulation was accompanied by the removal of barriers to entry.

The US telecommunications market was about to enter his main growth phase. In many European countries the benefits of growth might be delayed until the next century because of the cautious pace of deregulation.

Defence still represented a big growth opportunity for electronics companies even though defence budgets were declining, because the proportion of military sales going to electronics and soft ware companies would continue to rise.

Mr Jacques Noels, former head of Thomson Semiconductors, made a strong plea for more financial aid from European governments, arguing that competitors in the US and Japan were receiving more generous support. Mr Noels, one of the main architects of the recent merger between Thomson Semiconductors and SGS of Italy, said that Europe had already begun to "get its act together" in semiconductor manufacturing.

Both the government-backed initiative behind the SGS-Thomson merger and the pan-European funding programmes such as Esprit were "encouraging" developments. But the support of European governments would "continue to be required at least as long as assistance is granted to our competitors in the rest of the world."

Mr Noels said that an effective European semiconductor manufacturing sector was essential because of the component needs of other industries, such as the automotive and telecommunications sectors, or defence. Innovations in manufacturing techniques were also frequently based on the introduction of new electronic systems, he said.

Mr Michiyuki Uenohara, executive vice-president of NEC, argued that the strengths of Japanese companies in the world electronics industry was related to their ability to forge a strong chain of product development from basic research to production technology, manufacturing and marketing.

NEC, which is working on a telephone which inteprets foreign languages automatically, puts great emphasis on giving product divisions the responsibility for developing marketable products, while concentrating central group efforts on the main technologies of the future.

Mr Peter Bonfield, ICL chairman, said that European governments were gradually proving more willing to allow foreign suppliers into areas of their markets which were previously closed. It was imperative that preparations such as open standards were completed before 1992, when trade barriers within Europe were due to be removed.

Users were becoming less interested in specific technologies for their own sake, and more worried about how their needs could be served by information technology as a whole.

The emergence of total communications networks, linking voice, data, images and text operations, was a catalyst helping to bring about this transformation of attitudes.

For supplying industries, this resulted in the need to understand their customers' business requirements in detail. Substantial investment in training, and information systems within supplying companies was necessary. A key to bringing this about was decentralised responsibility for marketing within a company.

Mr Peter Keen, executive director of the International Centre for Information Technologies, said that equipment suppliers in the information technology market would increasingly have to accept that large customers wanted to deal with several vendors – a trend that was partly based on user requirements for a mixture of integrated equipment.

Users were also moving towards the formation of more strategic alliances, which would depend upon working together with suppliers on long-term plans that would link vendors closely into the development of the business.

Mr Jacques Stern- chairman of Honeywell Bull, the new combined computer company, argued that building a truly European market was essential to the future success for European manufacturers. A common infrastructure, based on a shared regulatory system to allow international valued added services, was essential to this.

European companies were successfully co-operating in R&D. Their next step was to start co-operating in production and marketing. Companies' decision-making and communications structures which were still old-fashioned and hierarchical, had to catch up with increased power of information technology

Monopolies Commission may investigate credit card industry

BY HUGO DIXON

THE OFFICE of Fair Trading (OFT) is expected to refer the UK credit card industry to the Monopolies and Mergers Commission for an investigation into possible monopolistic practices.

The OFT yesterday refused to confirm that such a reference was imminent. However, senior banking sources agreed that it was on the cards, though they argued they had nothing so fear.

The investigation would be the second by the commission into the credit card industry in the last 10 years. The first, which was finished in 1980 after two years, was confined to the relationship between credit card companies and retailers.

It concluded that both Barclaycard and Access, the UK's two major credit cards, had a monopoly and recommended the abolition of the "no discrimination clause" which prevents retailers from quoting different prices for credit card and other types of payment.

The Government, however, took no action arguing that the industry was still in an early stage.

The new investigation would take place against a background of much change in the industry. Most striking is the row between the retailers and Barclays over the charges for its new Connect debit card, the first in a generation of cards which are expected to pave the way for electronic cashless shopping.

Other important changes in the industry are: the fast growth of the market; the appearance of retailers as major issuers of credit cards; the new freedom of building societies to issue them; and moves by the clearing banks to set up a national system of cashless shopping.

The terms of reference of the new investigation are not known, but they are likely to be much wider than in the earlier one. In particular, it is expected to look at the relationship between credit card companies and consumers, as well as retailers. There has been concern that consumers are being charged an interest rate which is too high.

The banks are also pressing for the new investigation to include all issuers of plastic cards, not just banks.

One senior clearing banker, who preferred not to be named, said he approached the prospect of an investigation with a clear conscience. Mr John Lee, chief executive of Midland Access, said he had nothing to fear.

Both, however, were concerned that an investigation would absorb a great deal of time and would distract from the running of their businesses. They also felt the timing was bad, as so much was happening in the industry.

It was not known last night what, if any, connection the investigation would have with the review into electronic banking, which was initiated by the Government earlier in the year.

Plessey announces research success

By Terry Dodsworth

PLESSEY, the UK electronics group, announced yesterday that it had made a successful entry into superconducting materials, regarded by many scientists as the most significant area of current research in the electrical and electronic industries.

Scientists at the group's Caswell laboratory in the Midlands last week demonstrated superconductivity, a process which allows electrical currents to travel down cables with no power loss, at temperatures that would be suitable for commercial applications.

The group expected to step up its investment in the programme, from a "generous six figure sum" this year to seven figures in 1988. Plessey was also seeking to step up the scale of its programme by collaborative ventures, including work with Warwick and Oxford universities, and a major overseas industrial partner.

The attraction of superconducting materials is that they set up no resistance to electrical currents, a property that could yield enormous gains in areas such as the transmission of electrical power, or in developing much faster switching systems. Superconducting materials, however, only work at very low temperatures, and the current research effort is aimed at finding ceramic material formulas that would allow them to operate at closer to room temperature.

Several large multi-national groups have recently announced big breakthroughs, claiming to have demonstrated super conductivity at temperatures as high as +17 degrees C.

Airlines back charge card

BY FINANCIAL TIMES REPORTER

A CHARGE CARD, aimed at the business traveller and backed by 13 leading European airlines, is being launched in the UK today. It is to be extended to other European countries in the next few weeks.

The new card, called Airplus, is an amitious attempt to take a small but important sector of the plastic card business from American Express, Diners Club, Visa and Mastercard, the established card issuers. The company is aiming to have 100,000 cards in issue with a turnover of Ecu 315m in the first year, rising to 500,000 plus cards with a trunover of Ecu 2.25bn in five years.

Airplus is also hoping to increase its membership to include more airlines, both in Europe and outside. JAL, Quantas, Air New Zealand, Pan Am and airlines from Latin America and the Middle East have made inquiries about joining.

The card is being launched with a marketing campaign by both Airplus and the individual airlines which are shareholders. People will not receive their cards until June.

Airplus has been tailored to the business traveller. Initially, it will be accepted in 13,000 outlets around the world, but aimed primarily at Europe and the US, though this figure is expected to increase to 50,000 in two years.

It will be used mainly for car rentals, and hotel and restaurant bills, as well as airline ticket sales. It is not therefore a general purpose charge card.

Mr Davis Huemer, Airplus' chief executive, argued that the card had to provide the businessman with a wider service than just air travel, but that "the businessman does not want or need an all-purpose card."

Airplus will be selling itself to businesses on the basis that it offers greater control over travel expenses. As well as being limited in its scope, its monthly statements to clients will provide details of the individual businessman's itinerary.

The cost of having an Airplus card will vary from country to country.

UK NEWS

David Lascelles looks at a detailed analysis of the British banking sector

Banks receive a clean bill of health

THE UK banking industry is in as good a state of health as it has been for many years, judging by an analysis published today in the Bank of England's annual report.

By almost every major measure, including profitability and capital strength, the country's leading clearing and merchant banks are on an upward trend.

The only note of caution comes with a warning about risks arising from last year's Big Bang (deregulation) and the bank's entry into the securities business.

"It is clear that trading losses incurred in investment banking and securities operations can significantly damage the earnings of even the largest institutions," the Bank cautions, "and will need to be very carefully controlled by the more modestly capitalised houses."

This is the first time the Bank has published such a detailed analysis of the UK banking industry's balance sheets and profit and loss accounts.

Although much of it confirms trends that have been evident from bank's published accounts for some time, the information is culled from the confidential reports which banks file with the Bank. Some detail, therefore, has never been made available before, particularly on the Accepting Houses Committee (AHC) – trading association – only a portion of whose 16 merchant bank members publish their true profits and reserves.

Over the last five years, UK banks have almost doubled their profits. Last year, the clearing banks earned a total of £3.8bn before tax, up from £1.98bn in 1982. In 1985, the latest year for which the Bank has full figures, the AHC members made £370m before tax, up from £210m in 1982. The report says that these banks "are expected to produce stil better results in 1986."

More important, though, as a measure of performance, the banks are earning better returns on their capital. The post-tax return of equity achieved by the clearers (now the most widely used measure) was 15.8 per cent last year, up from 8.5 per cent in 1984, when it hit its lowest point this decade. The AHC members did slightly better, earning 16.2 per cent in 1985, and 11.9 per cent in 1984.

Despite all the changes in the banking business, the clearers still earn the bulk of their income (about 75 per cent) from net interest (taking in money and re-lending it). But foreign exchange trading, fees and commissions are increasing.

The figures also show that the clearers' domestic lending business is nearly three times as profitable as their international business. Last year, the interest margin on UK lending was 5.49 per cent, compared to international margins of 1.96 per cent. This confirms that there is still room for greater competition on the domestic banking market.

For AHC members, the boom business, not surprisingly, has been corporate finance. Last year, the merchant banks earned fees and commissions totalling £426m, by arranging mergers and acquisitions, underwriting new issues and supplying advice. This amounted to nearly half of their total £954m income. But they also lost a total of £9m on investment trading, a reflection of the much more competitive securities markets that have emerged because of deregulation.

What makes rising profits particularly encouraging from the Bank of England's point of view is that banks have also been strengthening their balance sheets by retaining earnings and raising fresh capital through rights issues and sales of perpetual bonds.

The clearers' risk asset ratio (a measure which relates the riskiness of banks' assets to the amount of capital they have) rose to 10.5 per cent last year, up more than a third from 7.6 per cent in 1984 when bank reserves were hit by severe tax changes in the budget. The AHC members have higher ratios, reflecting the riskier nature of their business. They were at 12.3 per cent in 1986, up from 8.7 per cent in 1984.

The Bank cautions, however, that there is no reason for complacency because banks are taking on off-balance sheet risks which are not included in the ratio calculations. Also, banks are exposed to heavily indebted Third World countries, though they have been increasing their reserves against possible losses.

BRITISH BANK FINANCES

	1986	1985	1984	1983	1982
Pre-tax profits (£bn)					
Clearers	3.8	3.25	2.48	2.22	1.98
AHC*	na	0.37	0.26	0.23	0.21
Post-tax return on equity %					
Clearers	15.8	13.2	8.5	10.9	12.5
AHC	na	16.2	11.9	11.7	13.7
Total Capital (£bn)	32.83	28.00	22.87	20.81	17.63

Note: Clearers include Barclays, Lloyds, Midland, NatWest, Bank of Scotland, Royal Bank of Scotland, Standard Chartered and TSB Group.
AHC* = 16 members of the Accepting Houses Committee.

Source: Extracted from Bank of England 1987 annual report

A growth rate of 3% forecast for economy

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN's IMMEDIATE economic prospects have improved in recent months, and the signs are that the economy will continue to grow at an annual rate of 3 per cent, or slightly more, at least for the next year, the Bank of England said yesterday.

In its latest Quarterly Bulletin, the Bank says that industry has reacted strongly to last year's devaluation of the pound, boosting exports and taking a bigger share of the domestic market. The deficit on the current account may turn out to be less than the £2.5bn forecast by the Treasury in the March Budget; while, in the short term at least, inflationary pressures should remain subdued.

The Bulletin tempers its relatively optimistic tone, however, with a warning that sustainable growth may be threatened by deteriorating world economic outlook. Outside the UK growth has been disappointing, while continuing large trade imbalances risk increasing trade friction and renewed instability on foreign exchange markets.

"Continued UK growth at its recent relatively high level depends on confidence in the expansion of world activity," the Bank says. And, if Britain continued to grow faster than the rest of the world, there would be a risk of increasing import penetration.

The Bulletin also notes some less encouraging features of the domestic economy. Increases in wages are still far outstripping price rises, particularly in the public sector, and investment growth is sluggish.

The Bank dates the turn round in Britain's economic performance to last year's devaluation of the pound. This could be accepted because its inflationary impact was neutralised by lower oil prices.

Recent trade figures and survey evidence suggest "a growing response of domestic output to buoyant demand" in the home market, and further export growth.

The Bulletin acknowledges, however, that sterling appreciation over recent months has reversed as much as half of the competitive gains from the pound's devaluation between late 1985 and the end of 1986. The impact on industry has been only partially offset by falls in interest rates which benefit the corporate sector.

That explains the authorities' determination to prevent sterling from rising further against other major currencies. The Bank is believed to consider that any further rise in sterling's value could seriously damage industrial confidence, putting into reverse the favourable trends of recent months.

In those circumstances, it would be prepared to accept some depreciation against other major currencies, while it would resist any move upwards. In the short-term and, in particular, during the general election campaign, this resistance is likely to be focused on intervention, rather than further cuts in interest rates.

The Bulletin makes it clear that the Bank is still concerned about the build-up of liquidity in financial markets and the spurt in the growth rate of the broad measures of the money supply as a result of exchange market intervention.

Most, if not all, of the intervention will eventually be neutralised by sales of government debt. That, however, is likely to take some time.

● The current account imbalances between Japan and US are unlikely to diminish substantially over the next two years, despite adjustments in trade volumes flowing from the dollar's devaluation, the Bank says.

In its latest forecast of the world economic outlook the Bank states that the US current account deficit is likely to remain at around $125bn (£208bn) in 1989, a fall of only $15bn from last year.

The Japanese current account surplus will stay close to its current levels of $85bn. By contrast, the German surplus is projected to show a marked reduction from $37bn in 1988 to about $15bn in 1989.

Visible adjustments in trade volumes, apparent since the dollar's devaluation and which are expected to continue, are masked by the sheer size of the initial disparities between exports and imports in both the US and Japan.

The Bank adds that the persistence of these imbalances emphasises the importance of maintaining sufficient capital flows to allow the US deficit to continue to be financed without disruption on financial markets.

Components manufacturers will benefit by rise in car output

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN'S motor component companies will benefit from the expected steep increase in UK car assembly only if the vehicles have an 80 per cent home content, according to Garyl Rhys, professor of motor industry economics at University College, Cardiff, South Wales and adviser to the House of Commons Trade and Industry committee.

While many of the extra cars to be built in Britain in the early 1990s – perhaps 225,000 – will have this level of UK content, a similar number will not, he writes in a paper prepared for the committee's inquiry into the motor components sector.

Professor Rhys also warns that the core of the UK component industry, the 100 companies which provide 80 per cent of the output and employment, need the present level of business from the commercial vehicle and agricultural tractor companies.

The demise of General Motors' Bedford truck operations, and the mergers of Leyland with Daf of the Netherlands and Ford's truck business with Iveco, the Fiat subsidiary, will reduce demand for components and transfer design authority overseas, he writes.

"Unless the Government is robust in monitoring events, it is likely that the component producers' business with the commercial vehicle makers will decline," he states.

He continues: "The whole question of local content can partly undermine the impact of the recovery of car output."

He recalls that car companies have indicated to the commit that UK car assembly could rise, from just over in last year, by an extra 250,000 by 1989 and 475,000 by 1991, excluding any contribution from Austin Rover, whose output could reach at least 500,000 (from 405,000 last year).

The figures should be treated with caution, he writes and "in practical terms, the recovery of car output will help the larger component companies only if the ex-works value of thesde extra cars is over 80 per cent. Only then will sophisticated, high technology, high value added items related to power-train (engines, gearboxe etc) and suspension be bought. A local content figure below this generates much less business and mainly for simpler, lower value products."

In general terms, he stresses, if the UK ex-works content of a vehicle is around 60 per cent then only about 20 per cent of the component and materials contents is locally sourced.

UK CONTENT OF BRITISH VEHICLES
(as % of ex-factory price) 1987

General Motors – Vauxhall/Bedford	
Astra/Belmont	55*
Cavalier	50*
Bedford Midi	65
Bedford Rascal	65
Bedford CF	75
*Rising to 80% in 1989	
Peugeot	
309	66 †
405	55 †
† Diesel version 50%	
† By 1989 could be 65%	
Ford	
Fiesta	75
Sierra	75–85
Escort/Orion	75–85
Transit	85
Rover	
Mini	98
Metro	97
Maestro	95
Montego	95
Rover 213	75–81
Rover 216	88
Rover 800 2-litre	80
Rover 800 2.5	80
Range Rover	93
Land Rover	95
Leyland-Daf	
Freight Rover	97
Leyland Trucks	96
Leyland Bus	97
ERF	87
Foden	88
Jaguar XJ6	90
Nissan Bluebird	45
(reaching 54% in 1988 and 68–72% in 1991)	

Notes: The West German content of Vauxhall cars is 35 per cent. The precise UK content depends on the exchange rates. At a rate of DM 3.60 to the £, for example, the UK content in 1987 would have been more than 60 per cent.

The exact figure for Ford depends on the source of engines and transmissions.

Some foreign assembled vehicles use UK-made components. Hence, foreign assembled Ford cars will have a UK content of about 5 to 10 per cent depending on the precise specification, and imported Vauxhall Cavaliers and Astras have a UK content – but below 10 per cent by ex-works value.

Apart from the Volvo 200-series, with 14 per cent UK content and the Volvo 700-series with about 8 per cent UK content, no other imported cars have a UK content of as much as 5 per cent of the ex-works cost. This applies to Vauxhall Novas and Carltons, Peugeot 205s and Nissan Cherries as much as to Volkswagen, Fiat, Mercedes, BMW and Renault cars.

Source: Prof Garyl Rhys.

Investments lift hope for more jobs in Ulster

By Our Belfast Correspondent

INDUSTRIAL investment in Northern Ireland recovered last year, reaching £311m and bringing the prospect of 4,187 new jobs, according to the Northern Ireland Industrial Development Board (IDB).

The state agency's results for 1986-87 showed an encouraging swing back from the prevous year when investment slumped to £200m with only 2,900 jobs promoted by its activities.

The IDB still has problems in attracting new projects from overseas. Only seven companies – from the UK mainland, Europe, Scandinavia and the Far East – decided to open plants, with a total of 415 jobs.

Mr John McAllister, chief executive, said the first-time projects demonstrated that despite the difficulty of Northern Ireland's image abroad, it was still possible to secure investment on the strength of the business opportunities which existed in the province. The agency would continue to put effort into increasing the flow of overseas investment.

Companies operating in Ulster, but which have headquarters outside the province, showed a readiness to reinvest and expand. They accounted for £237m of the investment and 3,855 jobs. The IDB provides a package of grants and assistance to new and expanding companies and contributed £109m or 35 per cent of the total investments.

Tighter sales methods urged in New Towns

PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE *DEPARTMENT* of Environment (DoE) should ensure that tighter sales procedures are used for the disposal of public assets in the English New Towns, the public accounts committee of the House of Commons has said.

These disposals are being carried out by development corporations in six towns, and by the Commission for the New Towns in another 21. The programme of disposals has so far realised £700m, and further sales could amount to £2bn.

In a report published yesterday, the committee broadly endorsed conclusions reached last year by the National Audit Office.

It told the DoE that a forward disposals strategy with clear objectives should be implemented without delay. There should be tight controls over price concessions to buyers, it said.

The committee was concerned about weaknesses in the procedures of the development corporations and the Commission, such as variable documentation, an almost complete absence of audit examination and inadequate review by senior management.

It insisted that "assets for disposal should be exposed to the market unless there are compelling reasons to the contrary."

WORLD GAS INDUSTRY

Algeria is forced to adopt a more flexible approach to gas prices

BY FRANCIS GHILES AND JAMES BALL

ALGERIA, the second largest liquefied natural gas exporter after Indonesia, has abandoned its traditionally rigid pricing policy for a more market-sensitive approach—but only for new customers.

Late last month the country surprised observers by negotiating with Panhandle Eastern Company, of the US, the most flexible contract yet for liquefied natural gas (LNG).

Since the late 1970s Algeria has been noted for its hard negotiating tactics and its unwillingness to concede to market pressures.

The Panhandle contract follows a series of competitively priced spot LNG sales to European customers last autumn. However, this newly-found marketing flexibility appears to apply only to new business and not to existing contracts.

ALGERIA NATURAL GAS PRICES FOR EUROPE

(Estimated $ per mBtu)

	1-4-87	1-1-87
Fob Algeria	1.82-2.85	1.26
Cif N. Italy	3.39	2.64
Cif Belgium	3.65	2.92
Cif Spain/France	2.35-2.62	1.86

Source: International Gas Report April 24 1987

Algeria relies on hydrocarbons for 98 per cent of its export earnings, with natural gas contributing about 33 per cent. Falling energy prices have put the country under pressure to become more responsive to its customers' demands.

The Panhandle contract allows for LNG to be lifted and paid for only if and when a demand for the gas exists. Pricing is to be based on what the market will bear, subject to a minimum price which would recover only the marginal cost of the operation rather than full capital costs. Hitherto the Algerians have insisted that prices must reflect the full cost of extraction, including capital charges.

Last autumn, Algeria's oil and gas monopoly, Sonatrach, had already surprised its European gas customers by selling spot cargoes of LNG priced competitively against Soviet supplies of natural gas piped from Siberia.

Despite the fact that these spot sales followed closely on the heels of the successful renegotiation of the terms of its contract for piped gas to SNAM of Italy, the Algerians have yet to shift their position in relation to long-term LNG exports to Europe. If Algeria has such a strategy, it is keeping it secret.

The new contract terms negotiated with Italy included concessions on flexibility of delivery and price indexing which the Algerians had steadfastly resisted since 1979. However, negotiations between Algeria and France and Belgium, its most important LNG customers, have yet to be successfully concluded.

In the LNG business, spot cargoes are rare and the revenue from such sales is insignificant compared with that from contract sales.

Algeria's spot LNG sales are now seen by many observers as exceptional. The protracted renegotiations between Sonatrach and Gaz de France suggest that Algeria's willingness to compromise on long-term LNG contracts remains limited, so far.

Furthermore although numerous bankers and countertrade brokers have been invited to arrange spot barter trade LNG deals for Algeria, none has yet been arranged, and the tight-knit nature of the LNG business makes such an event unlikely. This means that Algeria cannot rely on spot business to boost gas revenues.

Last year Sonatrach's foreign earnings from gas sales exceeded those of crude oil for the first time. This emphasised the need for the country to maintain, if not increase, its presence in key gas export markets.

In the sellers' market which prevailed for gas producers in the early 1980s, Algeria secured from its principal buyers the highest gas prices in Europe, and the most inflexible delivery terms. However, the greater flexibility and more market responsive pricing offered by Soviet and Dutch gas exporters in 1984 and new Norwegian terms, allowed these suppliers to gain ground at the expense of Algeria.

The collapse in oil prices last year added to Sonatrach's woes because its pricing formula, so favourable at times of rising oil prices, turned with a vengeance against its creators. Algeria had to appeal to its buyers for relief against the full impact of the link with oil prices. Gaz de France (GDF), and Distrigas of Belgium followed by the Spanish state company, Enagas, offered an amended formula.

However, the resulting April 1 1986 price for Algerian gas sales, which was $3.18 per 1m. British thermal units (Btu), nevertheless continued to fall reaching a low of $1.76 at the turn of the year.

From April 1 the price will rise slightly, to reflect the first-quarter rise in the crude oil price, but it is likely to remain below $2 per 1m Btu for Algeria. This is provisional, and once Gaz de France and Sonatrach agree new terms, it will be amended retroactively to January 1 1987. Enagas is believed to be paying $1.95 per 1m Btu.

Sonatrach's negotiations with Gaz de France, its largest LNG customer (SNAM is its biggest distributor as all the contract gas Italy imports travels through the Trans-Mediterranean pipeline) are crucial for its dealings with Distrigaz and Enegas.

Gaz de France is believed to be seeking two principal concessions from Sonatrach. One is greater flexibility of delivery, which would allow it to alter its annual take within certain bounds.

The other is the replacement of crude oil price indexing by the type of end-market indexing which Gaz de France enjoys with its Dutch, Soviet and newer Norwegian contracts. The French gas utility is likely to demand that it should be allowed to vary its offtake between 80 to 110 per cent of the contract volume. This is the arrangement it has won from the USSR and Norway, its other base load suppliers. Sonatrach is understood to accept a 90 to 110 per cent swing.

The stakes of the current negotiations are high. Indeed, last year, Gaz de France signed an agreement to purchase 6-8bn cu m of natural gas from the Norwegian Troll field under highly competitive terms both in price and flexibility.

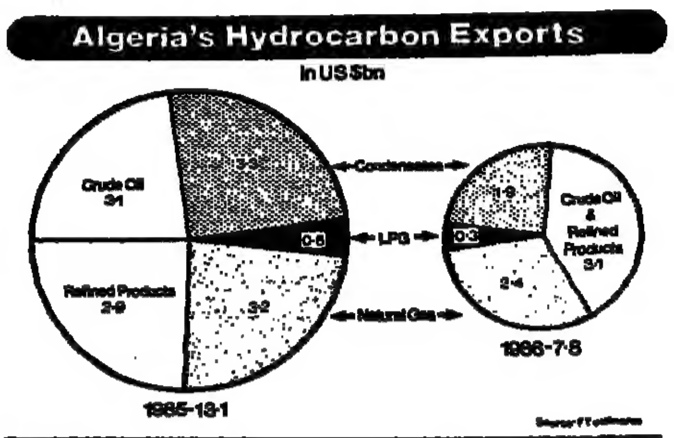
The French Government intervened at the last minute to eliminate an option to increase this volume by 80 per cent at about the turn of the century—a gesture widely seen as a concession to Algerian trade aims.

The French have made it clear that extra Algerian gas will not be bought on less favourable price and delivery terms. Furthermore, just as Troll begins to come on stream in 1993, Algerian LNG contracts with France begin to expire. Whether or not they are renewed, let alone increased, will depend to a large measure, on whether Sonatrach agrees to compete in a more market-oriented way. Extra Norwegian and Soviet gas supplies will be amply able to replace Algerian supplies.

Sonatrach privately claims that it will give new customers better terms than existing buyers. However, it remains to be seen how long will it be before Algeria adopts, for Europe, the new market strategy it has now spelled out for the US.

Algeria's Hydrocarbon Exports

In US$bn



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MANAGEMENT

Bob Bauman: arrived via Maxwell House and aero engines

A healthy balance

After nearly a year in the hot seat, the chairman of Beecham explains to Tony Jackson his priorities for the UK pharmaceuticals group

BOB BAUMAN, chairman of Beecham, is not at first sight everyone's idea of the million-dollar-a-year American industrial boss. He has a diffident, almost gawky manner, and looks a good deal younger than his 57 years. He has written a gardening book called "Plants as Pets," with chapters headed Playing With Your Pets and *Furnishing Your Plant Pet's* Living Quarters.

He is less of an anomaly at closer range. His apparent unassertiveness turns out to be merely good manners, his youthfulness, the result of American-style healthy living. And, plant freak or not, he comes across as a professional manager by lifelong inclination.

Bauman, who was hired by Beecham last summer nine months after the dramatic dismissal of his predecessor Sir Ronald Halstead, has a career which ranges from selling Maxwell House coffee to running an aero engine manufacturer. The one thing he lacks is previous direct experience of *pharmaceuticals—the business* generally seen as crucial to Beecham's full recovery from the corporate sickbed.

Though Bauman is evidently still feeling his way towards a detailed knowledge of the drug industry, he is clear on its strategic importance. "I like the balance of the group the way it is—60 per cent pharmaceutical and 40 per cent not. If it drives further up that scale—though not all the way—that'd be fine."

Beecham has a wide spread of business from ethical (prescription) drugs through over-the-counter (OTC) medicines to toothpaste and shampoo. It is a range whose logic most drug companies would envy, particularly since the industry—the odd maverick like Glaxo apart—tends to see ethical drugs as too risky a business on which to be wholly dependent.

"I feel it's a very distinct plus for Beecham being in both ethical and OTC products, and some personal care too," Bauman says. "My feeling is that there are two pressures on the drug industry — pricing, as countries try to keep their health care costs down, and the increased time it takes to get through the regulatory processes. I think these things are causing a lot of people in the industry to look carefully at their positions.

"Ethical drugs have priority, since *they're the starting point* for a lot of what we're trying to do. But OTC is a very important part of our business. One way of keeping costs down is to move from ethical drugs to OTC, where you can allow competition to set prices. Ethical drugs are less cyclical, but with OTC you're more in control of your own destiny, especially in marketing."

Despite the range of Bauman's experience, he comes over as primarily a marketing man. Born in the suburbs of Cleveland, Ohio, the son of a motor engineer, he trained as a student in accounting and economics, followed by an MBA from Harvard Business School.

"I'd been pretty sure I wanted to go into business even as I went to college," he says.

From his student days, he claims, he wanted an international career. When first seeking a job, he stipulated to companies interviewing him that before joining them he would take three months off in Europe. "If they wouldn't accept that, I reckoned they weren't too progressive."

He duly joined General Foods, the big US branded food and *drinks manufacturer, for* a career which looked set to be that of the typical corporation man. "I started in Philadelphia as a general management trainee, and went on up various stepping stones in product management, such as head of sales and then marketing for Maxwell House coffee in the US.

"My first big job was head of General Foods' Post division, which sold Post breakfast cereals and also Gaines dog foods, Kool-Aid drinks and so on. I ran manufacturing, research, sales, marketing — the whole operation reported to me. Sales were around $400m, which in 1968-71 was a pretty good sized business."

So far, so relevant to Beecham. Then came an intriguing step—taking responsibility for the group's corporate research and development. "That covered basic food research, new products and so on. Size and orientation were different from that of a company like Beecham, and the time frames were different. But in my opinion there are a lot of similarities between basic research in food and pharmaceuticals, and the system of trials and regulatory approvals isn't that different."

Another piece of relevant experience around this time was selling off unwanted businesses—a job he has repeated with energy and despatch in his early months at Beecham. "Like everybody else in the early 1970s we had been buying small, diversified companies for footholds into other industries. We had a small toy company, a seed company, a cosmetic company, a hamburger chain. They were none of them businesses we should have been in, and it was my job to get rid of them."

He then became president of General Foods' international division — "a tremendous job," he says, and one which plainly gave him the means to become a fully-fledged international manager. Then in 1981, in an abrupt change of direction, he left to become chairman of Avco, the US aerospace and financial group, having decided that the probabilities of becoming chief executive were well below fifty-fifty.

Avco was relevant to his move to Beecham in two ways. "First, the high-technology nature of the business, and therefore the very long lead times and huge cost to develop a new engine and put it through the 10 or 15 years cycle. Second, operating as the top person."

The second part lasted just four years, after which Avco was taken over by its larger rival, Textron. Bauman moved across as vice chairman, on the clear understanding that the next chairman would be a Textron man (the *succession took place* last August, the month Bauman's appointment to Beecham was announced).

"I was prepared to be number two or three at Textron," Bauman says, a touch implausibly. "I was working at doing that effectively and not trying to take over the current chairman's *or chief executive's job.* But I would never be in the same line capacity as I'd enjoyed, and since I'd had some success at head of a team, if the right attraction came along I'd clearly be prepared to look at it."

When Beecham's head-hunters did arrive, the decision to move was in one particular sense a courageous one. Even before Textron came along Avco had been bedevilled by corporate raiders. Beecham too, though looking a trifle less battered than it had at the time of Halstead's dismissal, was still seen as a takeover candidate.

"It wasn't a major consideration," Bauman claims. "I thought it was a low probability. *The stock had gone from* 280p to around 350p, a lot of good things were going on, and they'd started communicating with the street. In any case, there is no safe situation. Anyone can be taken over."

In the months he has since spent acquainting himself with his new empire, has he had any nasty surprises? "Nothing ugly. I'd done my research before I came over, and I'd heard Beecham was a company with a sensational history, some good people, a lot of good products and good research. But it was on an earnings plateau, and it had lost contact with its various publics.

"I'd much rather step into a *situation where there* are good people and good products."

Beecham has subsequently raised over £300m through the sale of unwanted businesses, and has restructured much of the remainder. Where now?

"We have these core businesses, and we're out to develop organic growth in them. We're planning for a substantial increase in the speed with which we can bring new drugs into the market place, and also to have a drive on advertising.

"At the same time, we want to make sure we have a continued effort on efficiency. First, continuing to examine products and small business areas to make sure they still have a future—though I don't see anything major left to be done at present."

Second, he is looking particularly at driving down overheads. "Fortunately, we're getting really good margins in most of our businesses, so it's mostly a question of getting the growth and ensuring we can finance it through increased efficiency."

Japanese management style

Behind the misconceptions

BY MICHAEL SKAPINKER

UNLIKE THEIR Japanese counterparts, European employees "do not consider work to be the centre of their lives," a recent Japanese study concluded. "If push comes to shove, they consider work something they have to do to live."

The study, published last year by the Japan External Trade Organisation, was cited in a recent speech by Peter Wickens, UK director of personnel and information systems for the Japanese motor manufacturer Nissan. The study was based on the views of 119 Japanese companies operating in Europe.

Wickens told a conference organised by the Financial Times and the National Economic Development Council that the view quoted above was just one illustration of the negative perceptions Japanese have of European workers. The *study* also reported that a substantial proportion of the companies "indicated they experienced cases where overtime was necessary but the employees refused to obey orders."

Some regard Nissan's new manufacturing facility in the north-east of England as an example of how Japanese work practices can be successfully transferred to Europe. Much has been made of the company's emphasis on teamwork, high quality standards and common *conditions of employment for* different grades of employee.

This image has been challenged by recent reports that workers are dissatisfied with conditions at Nissan—reports which have been denied by the company. Wickens, in any event, says Nissan has not simply transferred the Japanese way of doing things to Britain. For a start, he says, there is no single Japanese way of doing things. "There are as many, if not more, varieties of Japanese management practice as there are of British."

In addition, many of the supposed characteristics of Japanese working practices apply only to a minority of employees. The widely-held view that Japanese workers enjoy a guarantee of lifetime employment is true of no more than the 30 per cent who work for blue chip companies. Even then, "the stereotype applies only if you are an adult, male, full-time, permanent employee."

Deep-seated cultural differences also make wholesale transfer of Japanese practices difficult. Wickens endorses the *conclusions of* the Handy report on management education*, published last month, which warned against attempting to *import the Japanese or any* other foreign system into Britain.

Wickens recalls, for example, that after many months of discussion with the Japanese on the subject of teamworking, he realised that they had totally different perspectives on the issue. The Japanese regarded the group as a natural starting point. Westerners tend to start with the individual.

What can be transferred to the west? Wickens quotes from a book by Dick Wilson, "The Sun at Noon": "What could profitably be applied by Western managers is not Japan's imaginary magic formula for industrial success but such universals as the practice of a little more care and thoroughness, a lifting of the sights to the slightly longer term and a greater consideration for the self esteem of employees."

*To encourage employee com*mitment and increase their self-esteem, Nissan gives its supervisors total responsibility for selecting staff, Wickens says. The supervisors test and interview candidates and inform them that they have been successful.

"The supervisor is then committed to his people. He cannot blame the personnel department for 'the rubbish they've sent me.' And successful candidates are committed to the supervisor — you always have a good feeling towards the person who offered you a job — at the very least you respect his judgment."

Supervisors are responsible *for communication* within the team, which meets for five minutes every day at the start of the shift. This, Wickens says, is more direct and effective than a half-hour meeting once a month or more formal structures of employee representation.

A Japanese manager would regard such arrangements as good management practice, Wickens says. But then so would an American or a Swede.

* *The Making of Managers, from NEDO Books, Millbank Tower, Millbank, London SW1P 4QX. £8.*

Business courses

Strategic employee development, London. July 1-3. Fee: £690; additional participants, same organisation £345. Details from The Prospect Centre, Gough House, 57 Eden Street, Kingston-upon-Thames, Surrey KT1 1BW. Tel: 01-541 4773.

Tax havens and low tax finance centres, Amsterdam. June 15-16. Fee: £450. Details from Legal Studies & Services, IBC House, Canada Road, Byfleet, Surrey KT14 7JL. Tel: 01-236 4080. Telex: 888870 IBC G. Telefax: (fax) 01-489 0849.

Investment management — theory and practice, London. £395 + VAT. Details from John Whitley, D. C. Gardner & Company, 8/9 New Street, London EC2M 4TP. Tel: 01-283 7962. Telex: 947805 DCGARD G.

Stress and the manager, Northumberland. June 10. Fee: £95. Details from Elizabeth Green, Centre for Continuing Education, The University, Newcastle upon Tyne, NE1 7RU. Tel: 091 232 8511 ext 2769.

Corporate Tax Planning, London. June 12. Fee: £145 + VAT. Details from Quorum Training, Tavistock House, Tavistock Square, London WC1H 9TW. Tel: 01-388 2044.

Successfully servicing the international expatriate, London. June 24-25. Fee: £375 + VAT. Details from the administrator, IIR, 44 Conduit Street, London W1R 9FB. Tel: 01-434 1017. Telefax: 01-437 2336.

Business to business marketing —marketing without a marketing department, Bromley. June 21-26. Fee: $850 + VAT. Details from Marjorie Brown, Client Services, Sundridge Park *Management Centre, Bromley*, Kent BR1 3TP. Tel: 01-460 8585.

Trusts for Europe, Amsterdam. June 11-12. £450. Details from Miss Evie Theodorou, Legal Studies & Services, Bath House, 56 Holborn Viaduct, London EC1A 2EX. Tel: 01-236 4080. Telex: 888870. Telecopier: 01-489 0849.

TECHNOLOGY

Textile industry enters the jet age

Peter Marsh reports on the revolutionary improvement in fruits of the loom

THE WORLD'S textile industry is undergoing technological changes parallelling those which ushered in the Industrial Revolution in Britain 200 years ago.

Taking the role of the spinning jennies and water frames, the machines that changed the shape of the industry in the 18th century, are a range of devices such as cloth-handling robots, automated sewing machines and looms that use jets of water or air to assist in weaving.

Sales of textile machinery, worth about $7bn a year worldwide, are booming as makers of clothing and other textile goods attempt to introduce technical innovations to increase the quality and reduce the costs of their products.

In the US and Western Europe, in particular, manufacturers have used advances in technology to reduce the labour content of their production processes. These companies have moved in this direction largely because of increased competition in textile goods from developing countries.

According to Mr Allan Thompson, technical director of Platt-Saco-Lowell, a leading UK-based maker of textile machinery, increased use of automation "has been one of the biggest trends in the industry over the past six years."

A report* on the US textile industry from the Office of Technology Assessment, a research arm of Congress, warns, meanwhile, that companies in the West will have to step up research and development into new processes to stave off the competitive threat. "Future technologies are expected to be more expensive, which will increase demand for new capital expenditures," says the report.

Companies around the world produce some 30m tonnes of textile products a year, or roughly 5 kg for every man, woman and child. Textiles are used not just in clothing and domestic goods but in a range of other products, from parachutes to conveyor belts and from artificial blood vessels to inflatable dams.

Particularly strong in textile machinery are West Germany and Switzerland, which account for two-fifths of the world's exports in this sector. Japan and Czechoslovakia are also important competitors.

Among the leading machinery makers are Rieter, Saurer, Dubied and Sulzer of Switzerland, Platt-Saco-Lowell and Bentley of Britain; Japan's Toyoda, Howa and Nissan; and *Zinser, Mayer, Schlafhorst* and Stoll and Terrot of West Germany.

Sulzer was an early pioneer in shuttleless looms, which have greatly increased the speed of weaving. In traditional weaving machines, a package of yarn is held in a mechanical device called a shuttle which carries the horizontal (weft) thread between vertical lines of the warp.

In the newer machinery, the weft is guided across the thread by jets of air or water. Water-jet looms have been especially successful in weaving textiles based on fibreglass. Among the leading companies in this technology are Nissan of Japan and Investa of Czechoslavakia.

Spinning, in which small and irregular lengths of material such as cotton are twisted together to produce continuous yarn, is another important process which has seen big technical changes.

Platt-Saco-Lowell, which is a subsidiary of John D. Hollingsworth on Wheels, an oddly named US machinery company, claims a four-year lead on its rivals in the area of friction spinning. In this technique, the twist is imparted by pulling the threads through rollers, rather than through some kind of rotating action.

According to Bentley, the UK company based in Accrington, Lancashire, friction spinning machinery produces yarn at the rate of 300 metres a minute, compared with the 150 metres a minute that is the norm with established techniques of rotary spinning.

In applications of robots, the Office of Technology Assessment report says the devices are likely to see extended use in the textile-goods industry in three main areas, materials transfer, inspection and process control. *For example,* robots could transport yarn packages between spinning or inspection machines or remove finished garments from sewing stations.

The textile industry, the report says, is likely to become an important testing ground for makers of highly advanced robots which gain information about their surroundings using vision or touch sensors. Such sensors could be useful, for example, if garment manufacturers require their robots to pick up items of cloth of widely differing shapes and sizes.

Textile-Clothing Technology Corporation, a government-supported research venture in the US, has made some progress in linking the use of robots to automated sewing machines. The corporation, based at the Charles Stark Draper Laboratory of the Massachusetts Institute of Technology, has developed a computerised process in which robots take cut fabric and feed this to machinery for sewing.

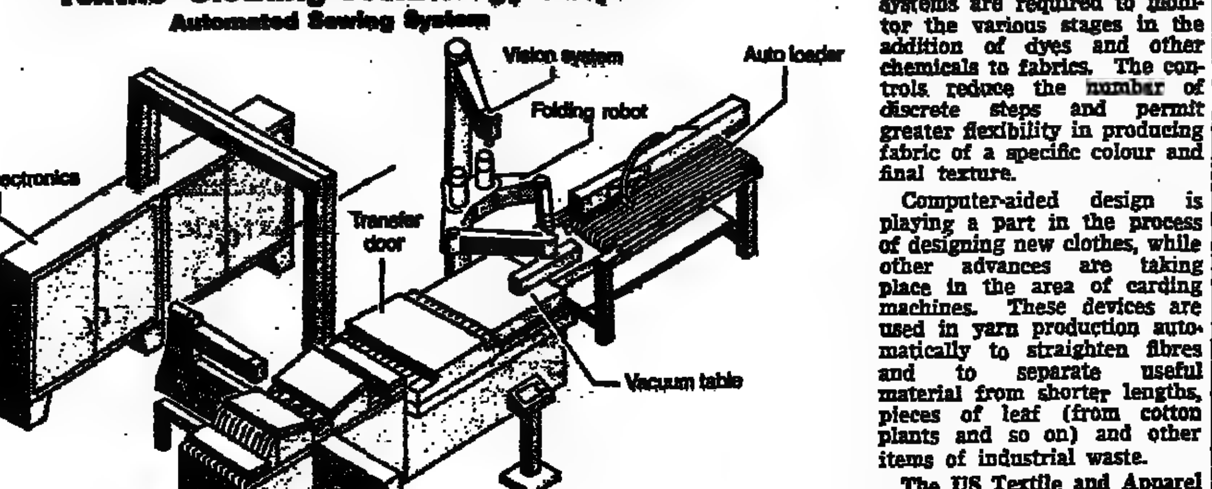
The system (see diagram) has been tested mainly in the manufacture of coats and trousers. Among the US companies working with the corporation on the sewing project are Singer, the sewing-machine concern, and Palm Beach, Hartmax and Greif, three garment enterprises.

Other areas of fast-advancing technology related to textiles and cloth production highlighted in the Office of Technology Assessment report include dyeing and finishing. Here, sophisticated controls systems are required to monitor the various stages in the addition of dyes and other chemicals to fabrics. The controls reduce the number of discrete steps and permit greater flexibility in producing fabric of a specific colour and final texture.

Computer-aided design is playing a part in the process of designing new clothes, while other advances are taking place in the area of carding machines. These devices are used in yarn production automatically to straighten fibres and to separate useful material from shorter lengths, pieces of leaf (from cotton plants and so on) and other items of industrial waste.

* The US Textile and Apparel Industry, A Revolution in Progress, Office of Technology Assessment, US Government Printing Office, Washington DC 20402-9325.

Textile-Clothing Technology Corp.
Automated Sewing System



WORTH WATCHING

Edited by Geoffrey Charlish

Robots to go where no man can

BECAUSE OF *high radiation* levels, the first dismantling of a major atomic reactor in the UK will be *tackled by the Atomic Energy* Authority at Windscale with the aid of robots.

Taylor Hitec, the UK automation and robotics consultants, will design and build suitable manipulating and cutting robots which will be positioned inside the reactor from the roof, using a handling unit made by Strachan and Henshaw of Bristol.

The advanced gas-cooled reactor, now at the end of its life, will take several years to dismantle and the robots will be operated completely from outside the reactor's shield. They will position the necessary tooling and will cut the steel pressure vessel into manageable pieces using oxypropane torches. They will then weld grabs to the pieces which will be taken out through the roof. Positioning accuracies of 0.5 mm are called for.

Security pictures over the phone

FRENCH COMPANY Serel, of Nice, has developed a "videophone alarm" which allows television pictures of secure areas to be sent over phone lines to the manager or owner of premises.

A picture, of about half the definition of an ordinary TV image, is sent in the form of of a "frozen" frame. A frame is sent only if a change has occurred since the last one was transmitted. Thus, the sudden presence of a person or car in the picture would cause a transmission.

The reduced information content of the picture means it can be sent cheaply over an ordinary phone line. Normal TV images require coaxial cable or microwave links. The system will automatically dial any number programmed into it and send its pictures to a receiver at the other end.

Cells will boost catalyst's action

POROUS POLYMERS with cell sizes down to 0.1 micron (millionth of a metre) have been produced by a team at Sandia National Laboratories in Alberquerque, New Mexico in the US.

The cell sizes are about a thousand times smaller than the cells encountered in conventional foamed polystyrene material and are also very uniform in size and evenly distributed.

One likely use for such materials will be to support catalysts in chemical processes, since the foam presents a very large internal area for the volume involved. Catalysts are substances which accelerate chemical reactions but which take no part themselves.

The more of a catalyst that can be presented to the reaction in a given space, the better. Another possible application is for controlled drug release. There is also the prospect of growing artificial human tissue because the new material will support the growth of certain cells.

The materials are made by causing dissolved polymer to come out of solution in a controlled way and then removing the remaining solvent (by freeze drying for example).

Electronic help in paper chase

NETWORKED DOCUMENT imaging and transmission is at the pilot stage at Xionics, the UK networking company. Production is planned for early next year.

Original documents will be scanned and filed on optical and/or magnetic disks. They can then be accessed or altered on a network of terminals or printed on laser printers.

Called DIP (document image processing), the system is aimed at organisations that must have access to facsimiles of original documents. Xionics is already discussing a project with British Petroleum in which newspaper cuttings will be distributed to executives. Other prospects include site to site engineering drawing transmission and the storage of bank customer signatures to allow instant *checking by staff.*

Comprehensive security measures are incorporated in the system, which is based on the IBM personal computer model AT. Xionics puts the likely basic cost at £20,000.

Grooving in the golf club

KEEN GOLFERS will be interested in the curious matter of the shape of the grooves on the striking face of a club. Usually these have a "V" cross section, but a US golf club maker, Karsten Manufacturing Corporation, has made the grooves square, maintaining that more backspin can be put on the ball by experienced players.

Whether or not the grooves break US or UK *rules* of the game is unclear. In any event, a British company, Hymec Hydraulics, has developed a £16 handtool that will, with a few minutes gentle scraping, turn the "V" grooves into square ones on existing clubs. The tool has hardened cutters (which can be changed by rotation when they get blunt). It is designed so that the width of a groove does *not exceed the 0.035 inch* maximum allowed on existing golf clubs.

The Royal and Ancient Golf Club, St Andrews, has not ruled the tool out. However, it says users should ensure that after conversion, the separation of the grooves is at least three times their width, and that there are no sharp edges.

CONTACTS: Taylor Hitec: UK, 02572 65825. Strachan and Henshaw: UK, 0272 664677. Hymec Hydraulics: UK, 0276 29121. Serel: Nice, France, 93 210303. Sandia National Laboratories: US, (505) 844 8066. Xionics: London, 346 0247.

Keys at the centre of Nato war games

BY ALAN CANE

ONE HUNDRED years hence, tourists will walk round this roomful of screens and keyboards as keenly as they walk round the Cabinet War Room under Whitehall.

Situated in a supposedly nuclear proof bunker somewhere in Belgium, this is the heart of Nato's computerised intelligence system— Whidds or Warr Headquarters Information Display and Dissemination.

Cockpits of war can be displayed on the Sigmex screens powered by Digital Equipment VAX and MicroVax computers —over 40 of them.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
15	16	17	18	19	20	21

Music

ITALY

Milan: Teatro Alla Scala: the pianist Murray Perahia: Mozart, Schumann and Beethoven (Mon). (80 91 26).

Florence: Teatro Comunale: BBC Symphony Orchestra conducted by Jurij Temirkanov: Tchaikovsky, Prokofiev and Britten (Thur). (277 9236).

Rome: Teatro Olimpico (Piazza Gentile da Fabriano): Richard Stoltzman (clarinet) and Richard Goode (piano). Weber, Mozart and Stravinsky (Wed). (393 304).

VIENNA

Alicia de Larrocha, piano. Beethoven, Turina, Granados. Musikverein. (Mon).

Vienna Chamber Orchestra conducted by Peter Schneider with Montserrat Caballe, Maria Gallego, Gabriele Sima, Grace Bumbry, David Rendall. Gluck's Telemaco. Konzerthaus (Tue).

NETHERLANDS

Amsterdam, Concertgebouw. Wilfried Boettcher conducting the Netherlands Philharmonic, with Rudolf Buchbinder, piano: Beethoven (Tue). (71 83 45).

Utrecht, Vredenburg. Handel's Jephtha sung by the choir of the Utrecht Oratorio Society, with instrumental ensemble and soloists, conducted by Johan van de Camp (Wed). Wilfried Boettcher conducting the Netherlands Philharmonic, with Rudolf Buchbinder, pinao: Beethoven (Thur). Recital Hall: Viktor Liberman, violin, and Alexander Warenberg, piano: Beethoven (Tue). (31 45 44).

Rotterdam, Doelen. James Galway, flute, with the Berliner Festival Trio: Beethoven, Mozart (Tue). (414 29 11).

LONDON

Polish Chamber Orchestra directed by Iona Brown, violin with Jan Stanienda, violin. Bach, Britten and Tchaikovsky. Barbican Hall (Mon). (638 8891).

Maurizio Pollini, piano. Beethoven. Royal Festival Hall (Mon). (928 3191).

London Mozart Players conducted by Jane Glover, with John Lill, piano and Allen Handy, trumpet. Beethoven, Shostakovich, Stravinsky and Haydn. Royal Festival Hall (Wed).

London Bach Society and Steinitz Bach Players conducted by Paul Steinitz with soloists including Patrizia Kwella and Dame Janet Baker. Handel, Bach and Glasser. Queen Elizabeth Hall (Wed). (928 3191).

London Symphony Orchestra conducted by Leonard Slatkin with Mi Dori, violin. Rossini, Paganini and Prokofiev. Barbican Hall (Thur).

Royal Philharmonic Orchestra conducted by Vernon Handley with Mitsuko Uchida, piano. Borodin, Rachmaninov and Stravinsky. Royal Festival Hall (Thur).

PARIS

Bavarian Radio Orchestra conducted by Sir Colin Davis: Beethoven, Mozart (Mon). TMP-Chatelet (4233 4444).

Montserrat Caballe, soprano, Miguel Zanotti, piano (Mon). Theatre de L'Athenée (4742 6727).

Alfred Brendel, piano. Schubert (Tue). Salle Pleyel (4563 0796).

Gerard Souzay, baritone, Dalton Baldwin, piano: Operatic arias and French vocal music (Mon). Salle Gaveau (4562 6971).

Orchestra and Choir Paul Kuentz, Maurice Andre, trumpet: Albinoni, Hertel, Scarlatti, Vivaldi, Corelli (Tue). Saint-Severin Church (4563 7955).

Trio Risler – piano, violin, cello: Schumann, Ravel, Lalo (Tue 12.30am), Schumann, Chausson, Lano (Thur 6.30pm). Both concerts at the Musée d'Orsay covered by the museum's entrance fee (4549 4814 ext 4389).

TOKYO

Rostropovich, cello. Beethoven, Prokofiev, Tchaikovsky, Rostropovich. Tokyo Bunka Kalkan Recital Hall. (Mon). (573 3588; 282 7141).

Amsterdam Loeki Stardust Quartet. Concert of 16th-18th century European music. Ishibashi Memorial Hall (Mon). (237 9990).

Tokyo Philharmonic Orchestra conducted by Tadaaki Otaka. Brahms, Sibelius. Tokyo Bunka Kalkan. (Tue). (237 9990).

Maria Tipo, piano. Scarlatti, Mozart, Schumann. Tokyo Bunka Kalkan Recital Hall (Wed). (235 1661).

NEW YORK

Carnegie Hall: Chicago Symphony. Sir Georg Solti conducting. Mahler (Mon), Strauss, Stravinsky (Tue), Haydn, Bruckner (Wed). (247 7800).

Juilliard Concerts (IBM Gallery): Guidonian Trio. Clarinet trios by Beethoven, Brahms (Wed, 12.30). 56th & Madison.

New York Philharmonic (Avery Fisher Hall) Giuseppe Sinopoli conducting, Gidon Kremer violin. Gabrieli, Berg, Schumann (Tue); Giuseppe Sinopoli conducting, Rosalind Plowright soprano. Ravel, Berlioz, Scriabin (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Rafael Fruhbeck de Burgos conducting, Birgit Finnilae contralto. Mahler (Tue). Kennedy Center (254 3776).

CHICAGO

Yo-Yo Ma (Orchestra Hall): Cello recital. Mixed programme (Thur). (485 8111).

Exhibitions

NEW YORK

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 60 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

WASHINGTON

Hirshhorn: 30 paintings from the permanent collection trace the use of bridges as symbols of modernity and the past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lozowick among others. Ends May 24.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

TOKYO

Masterpieces of Japanese and Chinese Art from the British Museum: This joint effort by Tokyo National Museum, Asahi Newspaper, NHK and British Museum brings back to the Orient some 150 works of painting, ceramics, lacquer and bronze dating from the Ancient Shang period (13th century BC) to Edo period (1600-1868). Many are being seen outside Britain for the first time. Especially notable are the rare T'ang period Dunhuang silk banners from Stein's early 20th century expeditions to the Silk Road. Delicately wrought metalwork animals by redundant 18th century Japanese armour makers are also eye-catching. This exhibition is part of the fundraising efforts towards the building a separate Japanese Gallery in the British Museum. Tokyo National Museum, Ueno Park. Ends June 7. Closed Mons.

Contemporary Nihonga Painting: Despite its poor reputation abroad (imitative of 19th century Western painting, Western subjects – often bizarre and of poor taste and quality), this exhibition of Nihonga includes some interesting works. Asano's Peaceful Horizon and Kimura's Vale in Winter use traditional Japanese brush and ink and subdued colours. Morita's Chrysanthemums, Doke's Ruins of a City and Mizutani's Dawn demonstrate the Japanese eye for detail. Yamatane Museum, Yamatane Building, 9th Floor, Kayabacho Station. Ends May 24. Closed Mon.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Tanis, The Gold of the Pharaohs: Part of a dazzling treasure from the tombs of the pharaohs of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli funerary masks, pectorals and ceremonial vases were discovered in the late 1930s in the delta of the Nile, in Tanis, the capital of a country torn by internal strife. Yet the relative impoverishment seems to have inspired the royal craftsmen with an elegance whose near-classical restraint appeals to modern sensibility. Grand Palais, closed Tue, Ends July 20 (4289 5410).

ITALY

Venice: Palazzo Grassi: 'The Arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertunno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links. – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

NETHERLANDS

Amsterdam, Nieuwe Kerk. World Press Photo exhibition. Ends May 24.

Amsterdam, Van Gogh Museum. Thirty paintings by some of the leading French Realists and Impressionists on loan from New York's Metropolitan Museum. Extending from Delacroix to Gauguin, with a sprinkling of Vincent van Gogh's favourite artists, there are landscapes by Millet, Corot and Monet, a Cézanne still life, Manet's colourful and supremely self-assured Young man in the Costume of a Majo, and Pissarro's evocative Boulevard Montmartre. Ends May 31.

Rotterdam, Prins Hendrik Maritime Museum. Centred around two hugh decorative wall maps, The World According to Blaeu examines the history of the famous 17th- century family of cartographic publishers, whose superb, detailed charts were based on the latest information from ships' journals and seamen returning from voyages to the Republic's far-flung trading outposts. Ends May 25.

SPAIN

Madrid, Daniel Aubry. American Icons. Photographs by young artist in his many travels. Achna, San Bernardo 107. Ends June 5.

Madrid, Centro de Arte Reina Sofia, Santa Isabel 52. Raumbilder: 5 German sculptors in Madrid. Ends June 22. Also: American Dreams. 116 photographs by 33 photographers from 1880. Ends July 6.

19th and 20th century French masters

The cover of the catalogue with an amazing Henri-Edmond Cross – pointillist in technique but Japanese in inspiration – sets the tone of the exhibition, which is unusual by the rich representation of the great names of the period and the masterpieces it is showing.

There is a magnificent Toulouse-Lautrec – Moulin de la Galette – with figures in red, green, brown and with faces straight out of Brecht's Threepenny Opera. Across the room hangs a rare Gauguin – a plunging view of a fisherman and bathers in the Aven in Brittany, painted in the luxuriant colours he discovered in Martinique.

On the first floor Nicolas de Stael occupies the place of honour with Flowers at Fontenay, a powerful composition of a glaring red flower pot as flat as a cut-out on blue-greyish ground, where large green leaves and one lilac bloom push inexorably upwards against a black background.

Even the second floor holds such treasures as Toulouse-Lautrec's portrait of his mother, traditionally, which means respectfully, rendered.

Back on the ground floor is Cézanne's portrait of Madame Cézanne in a black striped dress with a white collar, offsetting a placidly serious face delineated by strong contours. Lighter in vein is Degas' ballet dancer adjusting her shoe, sketched on pink paper and reproduced so often that one could hardly believe that an original exists. It does. Here it is. Galerie Schmit, 396 rue Saint-Honoré (4260 3636) closed Sundays and lunch times. Ends July 18.

Opera and Ballet

PARIS

Der Fliegende Holländer with Marek Janowski/Christopher Perick conducting the romantic parabole on the solitude of the artist in society. Paris Opéra (4266 5022).

Spectacle Ecole de Danse presents The Two Pigeons followed by Suite en blanc in hommage to Serge Lifar at the Opéra Comique (4296 0611).

Nabucco is in a super-production of 650 performers, two orchestras and three choirs at the Palais Omnisports till May 22. (4346 1221).

Ballet Antonio Gades at the Palais Des Congres (4266 2075).

Merce Cunningham Dance Company with his radically modern conceptions. Théâtre de la Ville (4274 2277).

Euridice – a musical fable – is co-produced by Radio France, Montpellier Opera and TMP Châtelét at TMP Chêlét at TMP-Châtelét (4233 4444).

ITALY

Rome: Teatro dell'Opera: A new production of Madam Butterfly directed by Aldo Trionfo and conducted by Rico Saccani. The cast includes Raina Kabaivanska (alternating with Miwako Matsumoto). (46 17 55).

Florence: Teatro della Pergola: Strauss's Capriccio (sung in German) conducted by Gustav Kuhn and directed by Willy Decker, with scenery by Wolfgang Gussman and costumes by Marion Gerretz, Felicity Lott sings the Contessa. (277 9236).

Florence: Teatro Comunale: Ballets by John Cranko, Aurelio M. Milloss and Egon Madsen, conducted by Fabio Maestri, danced by the Aterballetto Company and the Maggio Musicale Ballet Company (277 9236).

Naples: Teatro San Carlo: Fidelio conducted by Efrem Kurtz and directed by Filippo Sanjust, who also designed the scenery and costumes. The cast includes Sabine Hass, Elisabeth Gale, Tom Krause and Robert Schumk. (41 71 44)

Genoa: Teatro Margherita: Rigoletto conducted by Daniel Oren with Leo Nucci in the title role: A new production by Luciano Alberto, with scenery and costumes by Pasquale Grossi (589 329).

WEST GERMANY

Berlin, Deutsche Oper: Die Hugenotten conducted by Jesus Lopez Cobus in John Dew's production with Angela Denning, Pilar Lorengar, Victor von Halem and Lenus Carlson, joining the repertory of Hoffmanns Erzählungen, sung in French with Faye Robinson, Simon Estes and Kenneth Riegel; Die verkaufte Braut conducted by Hans Martin Rabenstein with Lucy Peacock, Kaja Borris and Peter Maus. (3 43 81).

Hamburg. Opera house closed for renovations – all performances in Hamburg Musikhalle. La Favorita, offered in a concert version stars Alicia Nafé, Giorgio Zacanaro, Alberto Cupido and Hsiu-Hua Su.

Frankfurt, Opera: Last performance of La Bohème, in which Yoko Watanabe and Alberto Cupido sing the main parts. Ein Maskenball has a particularly strong cast with Natalia Troitskaja, Luis Lima, Giorgio Zecanaro and Nan Christie. Die Walküre and Das Rheingold, both produced by Ruth Berghaus among the brightest Frankfurt successes of recent seasons. The cast includes Sandra Walker, June Card, Cornelia Berger, Wolfgang Probst, Catarina Ligendza, Ellen Shade, Gail Gilmore and Walter Raffeiner. Dido und Aeneas are sung by Glenys Linos and Valentin Jar. Die Verkaufte Braut rounds off the week. (2 56 21).

Cologne, Opera: Fidelio has fine interpretations by Marianne Hirsti, Eric Halfvarson and Hermann Winkler. There was much applause for Der Rosenkavalier, when it opened. The cast brings Margaret Marshall, Delores Ziegler, Teresa Ringholz and Günter von Kannen together (2 07 61).

Staatstheater Stuttgart: Guest performance of the Bolshoi Theatre with Boris Godunov, sung in Russian. The week also features Die lustigen Weiber von Windsor, Otello and Jenufa. (2 03 21).

NETHERLANDS

Amsterdam Muziektheater. The Netherlands Opera with Puccini's Madam Butterfly directed by Monique Wagemakers and designed by Hermann Soherr. The Netherlands Philharmonic conducted by Charles Badea, with Hiroko Nishida (Cho-Cho-San), Franco Farina (Pinkerton), Judith Christin (Suzuki), and Malcolm Donelly (Sharpless). (Tue). (255 455).

The National Ballet with Before Nightfall (Christe/Martinu), Corps (Van Manen/Berg), Seventh Symphony (Van Schayk/Beethoven). Tue in Den Bosch, Casino (125 125), Wed and Thur in Utrecht, Schouwburg (31 02 41).

LONDON

Royal Opera, Covent Garden: The latest revival of John Copley's rather pretty-pretty production of Massenet's Werther introduces London to Francisco Araiza in the title role and Agnes Baltsa as Charlotte; Michael Schonwandt conducts. Further performances of Turandot, last of the Stravinsky-Ravel double-bill made famous by the David Hockney sets and costumes. (240 1066).

English National Opera, Coliseum: Orpheus in the Underworld, a Gerald Scarfe-designed extravaganza not notable for genuine Offenbach wit or satire, returns for a further round of performances led by Lillian Watson and Terry Jenkins. Dargomizhsky's Stone Guest and Mozart's Don Giovanni, two very different versions of the Don Juan legend, both continue in repertory, each in a performance with a good deal of theatrical interest and musical skill to offer. (836 3161).

VIENNA

Staatsoper: Der Rosenkavalier conducted by Kout with Te Kanawa, Fassbänder, Wise, Banfalvi, Slania, Zelenka; Otello conducted by Mehta with Domingo, Tomova-Sintov, Lilova, Bruson; Werther conducted by Plasson with Von Stade, Sasaki, Hensrud, Kraus (51 444/2655).

Volksoper: Das Land des Lächelns, conducted by Bibl; Der Opernball, conducted by Boncompagni; Der Fremdenführer, conducted by Bibl; Orpheus in der Unterwelt, conducted by Bibl (51 444/2657).

NEW YORK

American Ballet Theatre (Metropolitan Opera House): Cynthia Gregory, Marianna Tcherkassky and artistic director Mikhail Baryshnikov return for the spring season of mixed programmes, including company premieres of Sunset choreographed by Paul Taylor to Elgar and Enough Said, Clark Tippet's choreography to George Perle's music. Lincoln Center. Ends June 13 (362 6000).

New York City Ballet (New York State Theater): More than 40 works by Balanchine, Robbins Peter Martins and other choreographers will be part of the two-month-long 86th season, including two new works by Martins set to music by Handel and Michael Torke. Ends June 28. Lincoln Center (870 5570).

TOKYO

Asami Maki Ballet Company in works from classical ballet repertoire. Chuo Hall. (Wed). (460 9411).

Butoh (Japan's unusual contemporary dance): Anzu Furukawas formerly of renowed Sankaijuku Troupe. The Mermaid, Parco Stage Lab. (Thurs). (477 5874); Min Tanaka choreographing works by Western disciples, Tess de Quincy (Mon), Montsi Garcia (Tues), Katerina Bakatasaki (Wed), Plan B, Nakano Fujimicho (384 2051).

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THE ARTS

Films in Cannes and London/Nigel Andrews

Distinctions, indistinctions and oddities

After beginning with a rush of blood, the 40th Cannes Film Festival is now behaving as if *under doctor's orders* to slow down. The Competition has been giving us craftsmanlike movies unlikely to strain either the heart or the brain.

Closest to making the pulse race in recent days has been *Good Morning Babylonia*. Directors Paolo and Vittorio Taviani (of *Padre Padrone*) have seized on a marvellous truth-based story idea — the tale of two Italian brothers who found fame in Hollywood by designing the giant elephants for D. W. Griffith's Babylon set in *Intolerance* — and turned it into a gilded fable about the early days of cinema.

Apart from a handful of US location shots, the film was made *entirely in Italy*, and it takes place in a sunlit Arcadian clime that could equally be early Hollywood or mediaeval Umbria. The brothers (Vincent Spano and Joaquin de Almeida) belong to a family of *cathedral-restorers; they are* grudgingly despatched to the New World by their stern father (Omero Antonutti) when business fails; and when they later get married on the set of *Intolerance*, who should turn *up but Dad, who promptly has* a verbal duel with D. W. Griffith (Charles Dance) about the relative importance of cathedrals and movies.

The film is almost scuppered by two direly written "female *interest" roles. Greta Scacchi* and Désirée Becker play, with many a giggle and simper, the two aspiring starlets who marry our heroes. And Charles Dance's Griffith struggles manfully but none too convincingly with an American accent. (*Could they* not have got an American?).

But whenever the two brothers take centre screen (they are surely alter egos for the Tavianis themselves), the film purrs into life. And two sequences alone remind us that we are in the hands of master film-makers. One is the brothers' sea crossing filmed as a wordless, fantasticated shorthand of sliding wine glasses, black-fuming smoke-stacks and *rearing ocean waves gilded by* sunset. The other, almost equally surreal, has the two brothers deep in the California countryside, one clashing a pair of cymbals pensively by a river, the other conjuring up flash*back images of his father and* homeland from the sparkle of a wine glass.

Diane Keaton with her own film "Heaven"

From two brothers who build elephants it is but a short step —for critics seeking thematic segues in a festival—to a sister *who tends glass animals*. In Paul Newman's film of *The Glass Menagerie* his wife Joanne Woodward plays the Missouri materfamilias and Karen Allen and John Malkovitch co-star in this touching, funny, unfussy version of Tennessee William's play. The role of the mother, that garrulously clucking hen gifted with some of the best dialogue Williams wrote, has already been devoured on screen by Gertrude Lawrence and Katharine Hepburn. But Woodward brings to the role a crackpot lyricism all her own. She hits high-strung high notes that one thought existed only in the mind's ear, and her presence—frazzled hair, perplexed *eyes, sudden gestures fluttering* in quixotic emphasis—is unforgettable. A Cannes Best Actress prize is surely in the offing.

Other Cannes movies are already sorting themselves out into a pantheon of distinction, *indistinction or cherishable* oddity. When my personal prizes are handed out at close of festival, they will have to include:

Best cure for insomnia: John Sayles's *Matewan*, a 1920s-set *tale of striking Virginia* coal-miners, whose stilted social earnestness put me to sleep after twenty minutes.

Best film consisting of a montage of clips from previous Cannes films: Gilles and Laurent Jacob's affectionate look back at the Festival's forty years.

Best party political broadcast by Glenda Jackson masquerading as a feature film: Lezli-An Barrett's *Business As Usual*, in which our Glenda strikes a blow against social and sexual victimisation in Thatcher's Britain, as a sacked Liverpool shop manager who gets the pickets out.

Most colourful and infor*mative movie title: (ex aequo) Space Sluts In The Slammer* and *Assault Of The Killer Bimbos*.

For my Best Documentary prize there is no contest. Diane Keaton's *Heaven* is a wonder*fully* inventive vox pop extravaganza. An unseen Keaton quizzes people about their attitudes to the after-life. Theories of what Heaven is like run the entire gamut of human response: "It's like a bride preparing for a wedding." "It's like New York or LA or any other city." The interviews are filmed in wackily-lit sets that look a child's version of German Expressionism, and they are wittily intercut with clips from the cinema's own forays into the more lunatic fringes of life and death (from *Metropolis* to *Dracula*). For those who equate the word "documentary" with brain-atrophying films about oil-drilling or coal-mining or oyster-farming, Keaton's movie is a joy and a tonic.

★

In London the merry middle of May is dominated by Jack Lemmon and Julie Andrews in the sentimental comedy *That's Life*. Beats there a heart so hard that *it can resist the sight* of these two old-stagers going through the hell of prolonged marriage, late menopause and advancing mortality?

Speaking personally, my *heart* is as granite when called on to commiserate with people living in luxury in Malibu. This movie, directed by Blake Edwards (alias Mr Julie Andrews) convenes lush production values, soap opera emotions and minimum travelling expenses for Mr and Mrs Edwards since it is shot in their own house. Two of their own children and one of Mr Lemmon's also play the offspring: who bring their problems home one eventful weekend when Mr *Lemmon has got a bad attack* of *timo mortis*, a lump from Miss Andrew's throat is being tested at the hospital, and a giant beach barbecue is being planned, surely ill-advisedly, for Sunday night.

Yet despite some queasy moments, the film, like the barbecue, turns out rather well. Miss Andrews is a pastmistress of elocuted concern: "I've never seen you so unglued, hon." she coos to Lemmon with crystalline care and a *furrow* of those Roedean eybrows. And the unglued Lemmon has some wonderfully unglued moments; notably when, while reading the lesson in church, he discovers to his visible physical distress that he has caught crabs from a recent indiscretion.

It is certainly a week for below-the-belt incident in the movies. *Il Petomane*, is an Italian bio-pic about the 19th-*century French music-hall star* "Le Petomane" whose wind was his fortune. He broke it, many times and in many varied ways, to entertain the customers in the Moulin Rouge and elsewhere. Despite a feeling that the *film has merely taken* the phrase "art for art's sake" and added two initial Fs to it, it is perkily directed by Pasquale Festa Campanile and likewise acted by Ugo Tognazzi.

An Ideal Husband/Chichester Festival Theatre

Martin Hoyle

A few months after the Glasgow Citizens Theatre presented *An Ideal Husband* weighed down by gilt and velvet, social privilege carried to caricature extremes as the characters *bayed and squawked*, the Chichester Festival comes up with the polar opposite: a piping miniature whose initial pastel-coloured set (blue and pink, plus a Tiepolo cartoon) betrays the fatal anaemia of good taste.

Peter Rice's *designs evoke* applause, as do the actors' exits (less so their entrances). Tony Britton's old style production evinces little wit and misses much humour. At the Chilterns' party the flirtatious mockery of "*Pray do not make these* jealous scenes in public," kills the badinage stone dead when uttered seriously by a cross young woman who promptly storms out. And there is no point in lines like "You look very English," when their absurd object, the irreversibly French dandy with his aspirant anglicisms, looks exactly that. One wonders whether the producer actually *detected* the irony in the dialogue.

Perhaps this lack of irony prompted the laughter that greeted the plot's melodramatic twists. A recognition of how dated these moral posturings are might have pre-empted much of the acting's bewildered solemnity. A pity; *since in lines* like "Truth is a very complex thing." we hear the ageless voice of realpolitik; such sentiments as "the god of this century is wealth" have a timeless ring; and the story of a promising young politician who sells state secrets to a speculator is the insider deal par excellence. Glasgow gave us comic distortions of past decadence, Chichester gives us a never-never land not too far from theatreland's Haymarket or Shaftesbury Avenue. Neither allows the comedy any relevance for today.

Against Act 2's gold and white with gilt and satin furniture, or the reds and browns of Goring's library with its stained glass windows, the two male leads give a curious display of playing each other's roles. David Gwillim's Chiltern has a roguish twinkle, worlds away from the priggish stick this vaunted paragon so often seems. His youthful error is believable; believ*able too his talents and ultimate* worth. Mr Gwillim's charm, assurance and style almost make us forget this play's moral ambivalence. He even makes sense of the "false idols" speech—that *odious attempt to spread* the blame.

On the other hand, as Lord Goring, that witty, cynical, loyal friend: the *flaneur* with a steely will and soft heart, Clive Francis gives a charmlessly wooden performance with that hollow *vocal quaver that is now an* obtrusive mannerism. He alternates tiresome piety and smarty-pants smugness. Never have the epigrams throbbed so mirthlessly as when Mr Francis reels them off. As his manservant, Peter Fontaine is his *superior in timing and indeed* equal to anyone on stage save the splendid Gwillim.

Joanna Lumley's Mrs Cheveley is dark-eyed with healthily predatory teeth. Anxious not to let the pace flag, she begins too quickly: the voice looses authority in the higher reaches. A striking presence, she can afford to add point and weight to the lines, to vary her tone—in short, not to try so hard.

A greater sinner is Amanda Waring whose Mabel shows the vivacity and personality of her Gigi but who has no idea how to speak her lines in anything but a boisterous, strident chirping. June Whitfield's Lady *Markby is a pleasant surprise*. This antic aristo effortlessly dominates the salon as if the Glumms had never existed.

One odd production point: having yielded her weapon to rid herself of the incriminating bracelet, Mrs Cheveley sweeps off with it still firmly clamped to her wrist. Another: the atrociously vulgar eye makeup of some of the society belles would have them thrown out of any decent Victorian house and *back on the streets where they* obviously belong.

Alastair Muir

Joanna Lumley and David Gwillim

Built on Sand/Theatre Upstairs

Claire Armitstead

Among the wealth of new work charting the Ulster experience this new play by Daniel Mornin stands apart more for its way of saying things than for the things it has to say. He gives us The Troubles as a blot on the liberal conscience: the myth-making imagination that James Joyce set to work on *Ulysses* resurfaces here in Mornin's weaving of the Minotaur story with the monsters he sees lurking behind every politician's smile.

The play is set, by designer Anabel Temple, on a stage slewed diagonally downwards at a crazy angle, the foremost tip dipped in blue as if bathed in sea, a hint of sombre brickwork flaming up the furthest corner. On it we first see a woman, panting as though running, gunned down by a British soldier while a huddled shape under a quilt cries to her to stop. The clue to this vicious little episode comes a few scenes later when the shape, now revealed as an Irish holidaymaker in Crete, is confronted by his RUC-serving father, who hisses "what the hell are you doing back here in this metaphysical tragedy?"

In a labyrinth of flashes backward and forward the holidaymaker's story emerges as one umbilically tied to the tragedy of sectarian Ulster. He is the journalist son of a down-to-earth Irish father (Gerard Horan) and a bigoted Scottish mother (a perfectly po-faced Annie Hayes), whose love affair with a Catholic girl is destroyed when she falls in with the Republicans, turns away from him and is finally shot. Recuperating abroad, Andrew — a performance packed with staccato energy from Michael Maloney — conceives of Ulster as a nation beholden to a monster, needing only to be freed by a hero with a sword.

Alastair Muir

Michael Maloney

The irony of violence as a means to end violence courses through the play, swelling the constant undertow of barbarity and inspiring an attempt by Andrew to halt the destruction by forcing a confrontation between republican and loyalist politicians.

Inevitably all they can agree is that neither will truck with an Anglo-Irish agreement. What begins as a guardedly civil encounter between two men already stamped by Mark Lambert and Des McAleer as thugs behind candied words, ends up as an extraordinary *danse macabre* in which the two, like a hydra of gobbling heads, tear the dead girl Ann limb from limb before turning conspiratorially on each other.

It is a brilliant, grotesquely funny climax to a play that is somewhat uneasily straddled between vivid physical images, smartly and sparely marshalled by director Lindsay Posner, and a luxuriance in words for their own sake. The central points—about Ulster's obsession with blood sacrifice, its enshrinement of this obsession in a new nationalist mythology of young martyrs (Rachel Joyce's madonna-like Ann among them), and the impotence of the liberal democrat in the face of such bigotry—are made as often as they are variously.

Measure for Measure/Young Vic

B. A. Young

An interesting essay in the Young Vic programme picks out all the mercenary references in the play, but David Thacker does not stress them in his modern-dress production. There are no computers in the Duke's offices, as there were in Antonio's at Manchester. Corin Redgrave's Angelo is no yuppie; indeed is olde rand squarer than Matthew Marsh's Duke. The relevance to our own time depends more on our newly-critical attitude towards the sexual freedom of the 1960s, paralleled by Angelo's sudden restrictions.

This Angelo is a serious man, with barely a smile even in his businesslike seduction of Isabella. The Duke, on the other hand, is a light-hearted fellow, rather too free with his affections to make a convincing Friar. Indeed he cares little about this act of his, for he removes his hood as soon as he can, and so can easily be recognised by intimates like Escalus (Randal Herley) and the Provost (Will Pacey).

Isabella (Saskia Reeves) is too shrill and excitable ever to have been a novice (and she, too, uncovers her head whenever she can). Margot Leicester's Mariana seems unduly depressed by Angelo's five-year neglect, though she sings "Take o take" herself instead of entrusting it to a boy. The most convincing of the women is Janet Crawford as Mistress Overdone, who is slender and smartly dressed; her brothe in, as it were, Streatham, would be fun and profitable if only the new laws would keep off it. David Boyce's Pompey might not be quite smart enough for it; the evening's only dinner jacket is Claudio's, which he was evidently wearing when he was nicked. Pompey makes a good headsman, though he appears not to know the difference between a rope and an axe.

Rob Edwards gives an interesting Lucio. He does not play him as a funny charecter, but speaks the comic lines intelligently enough for the fun to come out without the usual touch of camp.

Ruari Murchison's designs are confined to the furniture, deftly handled by the stage staff. The Duke's grand return seems to take place in a spacious hall rather than anything like a city gate. Jessica Bowle's costume designs are strictly state-of-the-art.

Elisabeth Welch at the Almeida

Elizabeth Welch apears in her new show for three nights only *at the Ameida Theatre on* May 18, 19 and 20.

Capricorn/St John's Smith Square

Andrew Clements

The four-concert series that Capricorn has devoted to the music of contemporary Scandinavian composers ended on Wednesday in St John's with a superbly executed programme conducted by Oliver Knussen which was stuffed with unfamiliar scores. Six new works are too many to assimilate fully at a single hearing; while the enthusiasm of the organisers of the series has understandably encouraged them to convey as comprehensive a picture of current trends in the Nordic countries as possible, it has also undoubtedly led to some indigestible programming.

The standard of works was uneven. Even in ideal circumstances I cannot imagine Kaija Saariaho's overlong and amorphous *Lichtbogen* for nine instruments and electronics, Gudmundsen - Holmgreen's cosily genteel *Terrace* for wind quintet or Ese-Pekka Salonen's blustery *Yta 1* for alto flute making a positive impression. But the remainder of the programme offered a full quota of rewards.

The Six Movements for string quartet by the Icelandic Karolina Eiriksdottir (born 1951) provided in some ways the most distinctive voice: scraps of material combined in movements of Webernian brevity though less elliptical expressivity, using a vocabulary of quartet gestures which seemed to look back to Janacek rather than to any of the more usual modernist models. The scheme leaves an intriguing feeling of incompleteness, as if these snapshot structures were successive glimpses of a much *larger edifice only partially* explored.

In *Entegegen* by the Danish Anders Nordentoft (born 1957) the style is more recognisably that of the younger generation of European composers, akin to that of some of his fellow countrymen such as Abrahamsen and Ruders, but projected with a great deal of rhythmic vigour and sense of shape. The work falls into two unequal parts, the first propulsive, jagged edged, scattering material through the ensemble, while the second provides some kind of catharsis, pulling *together the threads and* attempting a resolution in musical and formal terms.

All of the works other than Salonen's were receiving their first performances in Britain, and Poul Ruders' *Nightshade*, which ended the concert, was commissioned for the occasion by Capricorn. It is described by the composer as "a graveyard of low-pitched, tight-knitted crawling chords sliced asunder by the cold, extremely high-positioned movements of the violin and oboe," a striking image of music which is very much confined to the lowest registers, dominated by contrabassoon and contra-bass clarinet, and coloured by *Parsifal*-like tolling gongs. It is tightly constructed—whatever the stopwatch might have revealed, it certainly felt like the shortest work of the evening—and grimly assured, though what impulse lies behind its sound-*world I hesitate to imagine*.

Arts Week

Continued from Page 12

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel remains in London with Jonathan Hyde and Eleanor David replacing new toasts of Broadway Alan Rickman and Lindsay Duncan. (836 6111 or 836 1171).

Woman in Mind (Vandeville): Pauline Collins and Michael Jayston now lead a new cast in Alan Ayckbourn's *bleakly ingenious comedy about a* housewife fantasising the ideal family on the back lawn. (836 9987/5645).

High Society (Victoria Palace): Dramaturgically sound but musically weak conflation of film, play and assorted Cole Porter hits directed with punch but little taste by Richard Eyre, director designate of the National Theatre. Stephen Rea notably charming in the Sinatra role, Natasha Richardson uncowed by Grace Kelly as the ice maiden who melts (834 1317/838 4735).

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's pro*duction of King Lear, Hopkins*, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. *It plays* in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

TOKYO

Kabuki (Kabuki-za): The dance section of the matinee is the best bet for newcomers. Famous actor Baiko dances the charming wisteria maiden, and Kanzaburo an old Buddhist priest begging for alms. The highlight of the evening performance is Funa Benkei, symbol of loyalty to the Japanese. A lively and typical Kabuki scene is the battle between the water-borne ghost and General Yoshitsune's followers. English programme and excellent earphone commentary. (541 3131).

Kabuki (Shimbashi Embujo): Ennosuke stars in his own version of Yoshitsune Senbon Zakura (a more adventurous – even audacious – version of the play at Kabuki-za) Ennosuke's productions are the most spectacular in the form today, especially his quick-changes and trapeze acts. His ghost and fox roles are great fun. For first-timers to Kabuki this is a must (541 2211).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

All My Songs (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical *genre with its backstage story in* which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the mag*nificent spectacle of Victor Hugo's* majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

CHICAGO

Tempest (Goodman): Company artistic director Robert Falls directs Denis Arndt as Prospero in a new production with sets by Adrianne Lobel. Ends May 28.

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

Opera Comique (Eisenhower): Anne Jackson and Eli Wallach star in Nagle Jackson's new comedy. Ends June 6. Kennedy Center (254 3670).

Saleroom/Antony Thorncroft

Three city boom

The auction houses are firing on all cylinders throughout the world this week. Among the latest spectacular prices reported are a record for a Durer print—£290,625 paid by a dealer in New York for an early impression of the engraving "Melencolia" — and the £884,308 bid by a London dealer at a Sothebys jewellery sale in Geneva which secured an unmounted cushion shaped diamond weighing 73.04 carats. Until recently such diamonds were quite out of favour.

The Durer print, sold by the Kimball Art Foundation at *Forth Worth in Texas which*, unlike British museums, is quite prepared to sell old stock to finance new purchases, dates from 1514, and more than doubled its top estimate at Sotheby's. In the same auction "*The Letter*," by Mary Cassat, in the style of a Japanese wood-block print, did well at £109,375.

Christie's was also busy in New York and Geneva. In the former it disposed of Impressionist and modern art. "Orphée" by Odilon Redon, an oil portrait of the mythological hero, quadrupled its top estimate at £155,294, and a scene around a pool by Henri Lebasque did equally well at £142,353. Among the drawings a Marc Chagall of a nude against a blue background sold to the Japanese trade for £207,059.

Obviously the very high prices paid in the last two weeks for the masterpieces of modern and Impressionist art is boosting the medium range goods. Among the artist records was the £110,000 paid for a pastel of the engraver *Henri Guerard on* the beach at Honfleur by his wife, Eva Gonzales, who died young in childbirth but who has recently been re-discovered.

In Geneva Christie's clocks and watches sale was almost half unsold, but a Patek Philippe gentleman's size bracelet watch, made in gold in 1924, did well at £53,877. By chance Sotheby's yesterday was selling watches in London. Its top price was £25,300, paid by a Swiss *dealer for a gold hunting cased* tourbillon made by Henry Grosjean of Geneva.

Christie's sale in London yesterday — of 19th century works of art — was somewhat blunted when the foundry of Susse Frères in Paris withdrew well over a hundred bronze master casts dating from the late 19th and early 20th centuries, the work of Aume-Jules Dalou and Jean Baptiste Carpeaux.

But the auction proceeded and a pair of 19th century French bronze, copper, and silver plated busts of an Arab and a Jewish girl by Cordier beat their estimate, at £96,800.

Meanwhile, back in New York, a very fine early copy of the American constitution, produced on 19 September, 1787, sold for £62,599, double its estimate.

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Friday May 15 1987

Setback in the Punjab

THE SUSPENSION of the Punjab state government this week and the imposition of direct rule from Delhi is yet one more example of the serous political difficulties in which Mr Rajiv Gandhi is becoming ensnared.

In the heady days of 1985 Mr Gandhi scored a string of domestic policy successes, gaining widespread popularity as he started to show that economic, political and social reform really could be achieved in the world's largest and arguably most ethnically and socially complex democracy. Among his key achievements were accords towards solving long-running disputes in two of India's most turbulent states, Assam and Punjab.

The state of Punjab has had a violent history. Once part of the neighbouring Hindu state of Haryana it became a fully fledged state in its own right only to find that the extremist fundamentalists among the majority Sikh population intended to pursue the cause of a fully independent Sikh Khalistan (Land of the Pure) through violence and terror.

Crucial breakthrough

The campaign to drive Hindus out and to attract Sikhs from other parts of India was predicated on intimidation on a scale comparable with some of the world's other intractable sectarian battlefields such as Ulster and Sri Lanka.

Mrs Indira Gandhi tried but failed to find a way out of the impasse, eventually resorting to the imposition of direct rule in 1983, a measure which lasted for two years until her son and successor made the crucial breakthrough with the signing of the Punjab Accord in July 1985. It is all the more unfortunate therefore to see the accord in shreds and Mr Gandhi now treading the same path as his mother.

The accord achieved the crucial alignment of the central government and local moderate Sikhs behind a policy of peaceful and substantial devolution, which still fell far short of full independence.

The result was that moderate Sikhs united so enthusiastically behind the Akali Dal party, which was later elected to form the Punjab state government, that extremists became a tiny isolated minority, often hard pushed to find villagers willing to provide food and shelter.

Unfortunately, Sant Harchand Singh Longowal, the moderate Sikh leader who signed the accord, was assassinated before the first elections were held, leaving Surjit Singh Barnala, a lesser politician, to head the new state government as chief minister.

Allegations of corruption and ministerial links with extremists multiplied and Akali Dal split into feuding factions. Mr Gandhi failed to deliver on key elements of the accord — most notably the designation of Chandigarh, the shared capital of Punjab and Haryana, as the capital of Punjab did not occur in January 1986 because of Hindu and Haryana objections. Support started to flow back to the separatists, and violence increased again, the death toll now being around 100 a month.

Quick decision

There are suggestions that Mr Gandhi may have moved dramatically this week for short-term political ends: important elections are due next month in Haryana where Hindus are likely to applaud his Punjab action and where his battered Congress I Party urgently needs to do well.

On the other hand, the arrest of several Punjab political leaders including one of Mr Barnala's senior cabinet members among 250 militant Sikhs suggests that the accord may indeed have been compromised from within the state administration with some of the various power-hungry factions in Akali Dal being linked to, or sympathetic to, the aims of the extremists.

Either way, direct rule will surely prove to have been much easier to impose than to lift. Mr Gandhi has to decide quickly how best to negotiate the Punjab state government's reconstitution with Mr Barnala apparently having lost credibility on all fronts.

The best hope is that an alternative to Mr Barnala can be quickly identified while Mr Gandhi's tough appointee as Punjab chief of police, Mr Julio Ribeiro, a Christian from Goa, brings the terrorist outrages under control. Failing that, Mr Gandhi might find himself with few alternatives to sending in the army, a move guaranteed to alienate moderate Sikhs and undo much of his work towards racial harmony within India.

Gearing up for housing

IF THE Conservatives win the election, the present low level of expenditure on building council houses is likely to persist. New ways of providing cheap rented accommodation will be required, partly to house the poor and relatively poor, and partly as a means of encouraging labour mobility. In theory the solution is total deregulation of private landlords, but in practice the benefits would take some years to work their way through, as is evident from a study, The Housing Morass, just published by the Institute of Economic Affairs. Even then, there are other difficulties in the way of such a policy.

The IEA authors, who favour deregulation, acknowledge that, under the present rent rebate system, an unemployed man in the north might be worse off if he moved south to a job, rented accommodation, and a lower rebate. They suggest a ceiling on benefits, expressed as a percentage of previous net income in work. It is conceivable that a future Tory government might find the political nerve to impose such a limit, but that would not be the end of the story. For the overriding distortion in Britain's housing market would remain in place. The upwards pressure on the price of building land, which is likely to stay artificially scarce under any government, would continue to force the market price of rented housing to levels greater than lower-income tenants could afford.

Challenge funding

The most attractive solution put forward so far has come from the Housing Corporation, which announced on Tuesday that it hoped to raise £70m on the capital markets this year to spend on building homes for rent by housing associations.

James Capel, the London stockbrokers, and Cipfa Services, the financial services arm of the Chartered Institute of Public Finance and Accountancy, will set up a trust which will raise money on the markets and lend it on to the associations. The corporation did not go cap in hand to the private sector: in effect it asked for tenders, considered eight of them, and came up with Tuesday's arrangement. It had previously gone, thinking-cap in place, to the Treasury, from which it extracted an agreement that, as an experiment, private and public fundings could be mixed in the proportion of 70 to 30. The effect is that taxpayers will be providing £100m of affordable-rent housing for an outlay of £30m.

This nicely-geared infusion of capital will be allocated to several types of scheme. Some £20m will provide partly for homeless families, on the basis of deals that should save local authorities much on bed-and-breakfast accommodation, and partly for young job-movers. The final £10m will be "challenge funding," to see whether the housing associations, of which there are 2,600, can use their own ingenuity in devising schemes.

Larger scale

There is plenty of ingenuity about. Under the Housing Corporation schemes, homeless families, for example, can be given fixed-term tenancies. The notoriously low "fair rent" system will not apply. Thus the 1980 Housing Act, which the Conservatives introduced in an attempt to stimulate private rented housing by providing for "assured tenancies" and freely-negotiated rents, may at last come into its own. Like private landlords, housing associations must cover all outgoings, including interest on the long-term mortgages to be raised by James Capel. The booster-shot will be the Government's 30 per cent grant, although other public money will, of course, be spent on housing benefit for those who cannot afford rent.

The Housing Corporation, which was established in 1964, monitors and supervises the housing associations, which between them own and manage some 500,000 homes. In 1986-87 housing associations spent 52 per cent of the total public funds allocated to provision of new homes for rent — although that total has shrunk steadily since 1979.

The associations are non-profit voluntary organisations whose experience in housing brings them closer to tenants than either large private landlords or the gigantic city council estate managers. They have a good track record, and the overriding authority of the Housing Corporation is helping to maintain it. If this year's 30-70 experiment works out well, it should be possible to repeat it on a larger scale next year.

A victim of past successes, socialism faces the dilemma of how to attract newly affluent voters without abandoning those who are falling behind. **Edward Mortimer** examines the future of the left

In search of more fertile ground

WHILE FRENCH Socialists feel they have suffered from being associated in the public mind with Marxism and so indirectly with the Soviet Union, that is hardly a plausible reason for the problems of the Labour Party in Britain or the Social Democratic Party (SPD) in West Germany.

For whereas in France anti-Sovietism became intellectually respectable only in the late 1970s, in both Britain and West Germany it was probably at its peak in the 1950s and declined markedly with the coming of detente.

It is true that East-West relations have been a battle-ground of party politics to a greater extent in Germany and Britain than in post-Gaullist France; but unlike in France, Soviet Marxism as a social system has hardly been an issue in either country. The reasons for disenchantment with socialism must, therefore, be sought elsewhere.

Two main reasons are given in both countries and would appear to be broadly applicable to northern Europe as a whole. One is that there has been a reaction against concentration of power in the hands of the state and trade unions. Seen as a result of social democratic policies, this was felt both to stifle individual initiative (supply side) and to be a prime cause of the 1970s inflation (demand side). The other is the decline in importance and numbers of the old blue-collar working class in manufacturing industry, which had been social democracy's historic base.

Thus, social democracy is seen to be partly the victim of its own successes. It succeeded in creating a welfare state, which came to be taken largely for granted. It succeeded in claiming a role in running industry for organisations which supposedly represent people in general (the state) or workers in particular (trade unions), to the point where that came to seem oppressive to individual citizens, including many individual workers.

It succeeded in presiding over technological change and a general rise in living standards, which together enabled many people in salaried employment to stop thinking of themselves as working class—and therefore natural Labour or SPD voters—and start thinking of themselves as middle class: consumers as well as producers, capable of switching from one party to another as they might between makes of car or washing-machine.

But it failed to produce the sustained growth needed to satisfy the rising expectations thus created.

So the task which socialists or social democrats face, if they are to represent the future rather than the past, is threefold. They have to make themselves attractive to relatively affluent employees, particularly in the new service and hi-tech industries; they have a associate themselves with some positive value which does not imply big government or powerful bureaucratic organisations; and they have to achieve economic credibility, in the sense of proposing policies which do not sound likely to produce a return to high inflation.

Historically, socialism was understood to be about common or collective ownership. But in post-war western Europe this notion has been steadily de-emphasised. The SDP has not been dogmatic about it since it dropped its exclusive allegiance to Marxism at the Bad Godesberg conference of 1959. Even parties which were fervent nationalisers in the recent past, like Labour and the French Socialists, are extremely cautious about giving pledges to reverse the privatisation programmes of their opponents.

They have recognised that nationalisation is hardly popular with anyone except workers in the industry concerned, who see it as a way of guaranteeing their jobs at taxpayers' expense: precisely the kind of guarantee that governments, whether socialist or not, can no longer afford to give.

Increasingly, it is fashionable

Workers became as likely to switch from one party to another as they might between makes of washing machine

to argue that questions of ownership are no longer relevant. Instead it is suggested—for instance by Mr Volker Hauff, SPD spokesman on energy and environmental issues — that socialism is about "limiting economic power." Concentrations of power are seen as equally bad whether in private or nominally public hands, the role of the state being rather to prevent private monopoly than to acquire or create monopolies of its own.

In the UK it is of course Dr David Owen and the Social Democratic Party (no longer labelled "socialist" except by Tory chairman Mr Norman Tebbit) who have been most explicit in adopting this American trust-busting philosophy. But Mr Roy Hattersley, Labour's Deputy Leader and Shadow Chancellor, seems not to be far behind.

Mr Hauff's preference is for privately owned industry but with *mitbestimmung* (co-determination) on a basis of parity for worker and shareholder representatives — the former being elected directly by the workers in each firm, not nominated by trade unions and still less influenced by the state.

A former IBM employee, with experience of business and modern technology, Mr Hauff is seen by some of his colleagues as typical of the new kind of leader the SPD needs in the "post-Brandt" age. "Representing a certain degree of efficiency, not dogmatism, not the old style of trade union culture," he is "the ideal candidate for Frankfurt"—symbol of West Germany's expanding tertiary sector, so far frustratingly impervious to the SPD's appeal — according to his fellow deputy from that city, Mr Karsten Voigt.

In order to win the support of this sector's workforce, Mr Hauff says the SPD has to escape from its traditions in two crucial respects: it has to offer a new model of social organisation, both for trade unions and for the welfare state — "more decentralised, more flexible, more really oriented to the needs of the people"; and it has to make environmental policy a central rather than marginal feature of its political message, recognising that industrial and technological development have negative as well as positive effects, and that "all these problems which are connected with environment, health, and human working conditions . . . it's not three issues, it's one issue."

Mr Gerhard Schroeder, the SPD leader in Lower Saxony who narrowly missed wresting control of that *Land* from the Christian Democrats last summer, puts even more emphasis on this point. If Socialism for him means "the possibility to realise freedom in society," he thinks that whereas in former times this was essentially a matter of overcoming the oppression of man by man, today the crucial issue is "the oppression of nature by man," and this is more difficult for a democratic socialist party to deal with.

In the old days, he explains, "on one side was the oppressed people, on the other the oppressor, and you could organise the oppressed people according to their interest to overcome the oppression." But it is not so easy to convince these same people "that the other aim, to overcome the oppression of nature by those people," is as important as the first. "The problem is that the people who fight together against oppression of man by man have not the same interest to fight against oppression of nature, because they know—or think they know—that to overcome oppression of nature is against their own economic interests," because they are themselves the oppressors.

"I think that's the main problem for all parties, but especially for all democratic socialist parties because we organise the people who fear that, by overcoming oppression of nature, their interests and their life will have to change." Or, as Mr Freimont Duwe, the Hamburg publisher and somewhat untypically bohemian SPD member of parliament, puts it: "It's difficult to discuss the end of the world with workers who fear the end of their factory."

Yet it seems almost an article of faith with all these SPD leaders that discussion of "the end of the world"—ie disarmament and ecology—is the key to the new electorate working in hi-tech and service industries. That, of course, is because it is the Green party which is competing most successfully with the SPD for that new electorate's support.

Only a minority among the Greens actually defines itself as "eco-socialist," but the feeling in the SPD is that the Greens really belong within the socialist movement and that their presence as a separate party in the Bundestag, since 1983, represents a defeat for

'It's difficult to discuss the end of the world with workers who fear the end of their factory'

that movement. This is blamed on the insensitivity of its more traditional organisations—and of the SPD in government during the 1970s—to the ecological dimension of politics which so preoccupied the new generation and the new class.

In France by contrast, for reasons that have yet to be adequately explained, the ecological movement which was active and influential in the 1970s has all but disappeared since the left came to power in 1981, with the result that while the environment receives lip-service in French Socialist manifestos, it is certainly not regarded as a central feature of socialism. Nor is it in Britain, though the pressure on all parties here to take it into account is certainly greater than in France.

In both Britain and France, the main challenge to socialism is social, rather than ecological, and its greatest weakness lies in its apparent inability to promise credibly to do away with mass unemployment. But common to all three countries is the dilemma of seeking to attract a new class of voter while keeping faith with the traditional grassroots; and of identifying with the aspirations of the two-thirds of the population who are growing more prosperous without abandoning the one-third which is falling behind.

In the last resort, the only hope for a revival of socialism must lie in its ability to awaken the concern of the up-and-coming classes about the consequences for society as a whole of leaving the others too far behind. The draft programme of the SPD, which will be adopted — no doubt with some amendments—at its conference next year, identifies three "fundamental values of democratic socialism": freedom, justice/equality and solidarity. The first of these, essential as it is, is hardly the exclusive property of socialists. The second is perhaps still tarnished by the grey, kill-joy egalitarianism which socialism has too often turned out to mean to practice. It is the last, defined by the draft as meaning "a commitment by the whole of society to the individual in need," that seems to have the greatest potential as a socialist message for the 1990s.

Men and Matters

Over the wall

Ladbroke shares, recovering from last week's spate of negative rumours, have a friend in Liverpool. Stockbroker Charterhouse Tilney yesterday fulsomely recommended the betting, hotels and retail group as a "four-division accumulator in growth."

The 19-page circular, prepared before last week's events, gives no hint, however, that Ladbroke's financial adviser (with client-merchant bank relations as close as any in the City) is the sibling company, Charterhouse Bank.

Victor Blank, Charterhouse chief executive, said yesterday that he had not seen the circular before publication on the other side of one of the group's "Chinese walls." He agreed, however, with the decision not to declare an interest in the circumstances.

"The minute you start trying to do that you compromise the integrity of the research department and the brokers."

"If I wanted them to write a pro-client circular, there's no way on earth that they would do it," Blank said. "They are vehemently independent and stand on their own two feet."

Return match

Old Oxford chums, Lawrence Banks of Robert Fleming and Christopher Bland of London Weekend Television, have had another meeting of commercial minds. This time it is through the Fleming-sponsored shake-up at Phicom, the life sciences company.

Bland became chairman yesterday after Fleming acquired 60 per cent of the company from Magnum Corporation, a Malaysian group, and distributed most of the stock to institutions.

Banks convinced Bland to put all his cash into Sir Joseph Causton and Sons in 1977. It paid off handsomely. Bland was responsible for that company's remarkable turnaround which saw market capitalisation rise from £800,000 to around £20m at the time Norton Opax took it over seven years later.

Can he do it again? "That would be rather heavy, but nice," he says. The market seems a little more confident. Phicom rose 40 per cent following the announcement.

Bishops' move

Unlike secular Britain, the bishops are proving to be an important factor in the forthcoming Italian general election.

The pressing matter in Italy is which party do the bishops wish the faithful to support in the election to be held just three days after the British have been to the polls.

For 40 years, the question has been somewhat academic. Just after the war support for the communists was a church offence punishable by excommunication. The lay parties were by definition to be avoided because of their anti-clericalism, which meant that the Christian Democrats (what's in a name?) were intended to reap the electoral harvest of clerical support.

As indeed they did and have, although the party's share of the vote has fallen from 48.5 per cent in 1948 to 32.9 per cent in the 1983 elections — a decline which owes something to the weakening of religious commitment in Italy.

Perhaps thinking that they needed to raise their voices more than in the past, the Italian bishops, in conference at the weekend, put out a declaration which experienced commentators thought more explicitly an endorsement of the Christian Democrats than any previous statement.

"Overdrawn—hasn't that unknown businessman repaid my Contra cheque yet?"

Urging the faithful to go out and vote, and in doing so to be loyal to the Catholic tradition of "unitary commitment," could, it seemed, only be read one way.

Certainly, the other parties divined a political preference and they variously accused the church of interfering in domestic politics and of falsely allocating Christian values to just one party.

Monday appeared to bring emollient clarification when the secretary general of the conference, Monsignor Camillo Ruini, issued another statement.

The bishops, he said, had wanted "to give a hand to the country, not the Christian Democrats."

But apparently, this week was not the impression the bishops wanted to give either. Along came yet another statement on Tuesday asserting that Monsignor Camillo had not really given any interpretation or clarification on what the Church meant to say.

Birt's goal

John Birt, the Friday afternoon footballer who is about to become deputy director general of the BBC, is feeling some frustration about his transfer from London Weekend Television.

For almost a year Birt, director of programmes at LWT, has been chairman of the working party planning ITV's election coverage. But because of his imminent move to the BBC, Birt had to drop himself from the committee.

He will arrive at the BBC on Tuesday week, right in the middle of the campaign and too late to influence coverage

Birt will, however, find the main combined evening news and election programme on BBC 1 of interest. For the first time the talents of news and current affairs journalists will be combined — and creating a new directorate by combining the news and current affairs armies throughout the BBC will be Birt's main goal there.

First aid

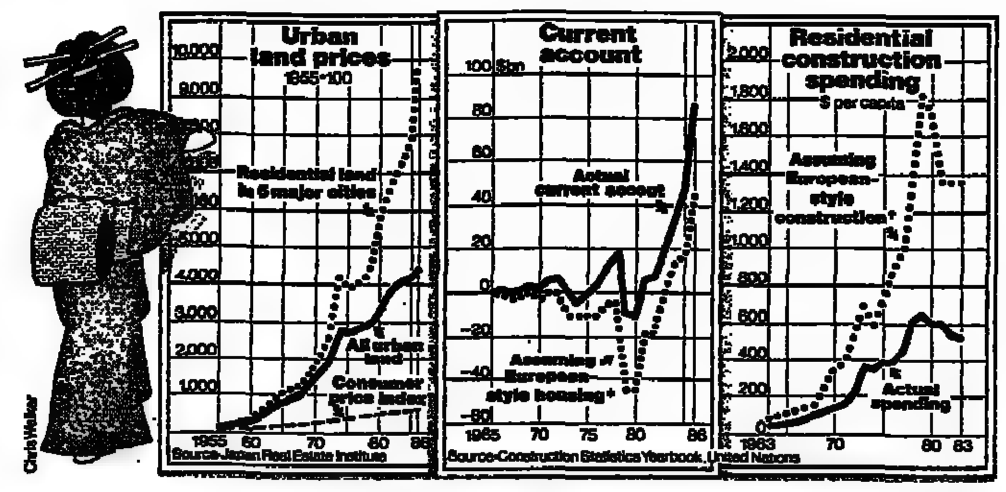
A reader staying in a luxury hotel in Sofia, Bulgaria, recently received a note from the management, pushed under his door, which listed some rather disturbing plans concerning that day's hotel maintenance.

It concluded. "We sincerely hope that we will not cause you too much inconvenience by disconnecting the (telephone) lines, and cutting off the water supply—and look forward to welcoming you to our health centre."

Observer

John Plender examines the structural reasons why Japan finds it difficult to respond to demands for domestic economic expansion

No amount of arm twisting will work



** Residential construction only; considers only direct impact of additional construction spending*
† Actual residential floor space constructed in Japan multiplied by West German residential construction costs per m2

CALLS BY Mr James Baker, *the US Treasury Secretary*, for monetary and fiscal expansion in Japan and West Germany have become part of the ritual of international economic diplomacy. Far less orthodox than Mr Baker's performance at this week's meeting of the Organisation for Economic Co-operation and Development in Paris was the démarche undertaken by the Japanese Government in a bid to prop up the dollar. Just before the announcement of a record April trade surplus with the US, officials asked chief executives of leading financial, trading and industrial concerns to refrain from speculative foreign exchange transactions.

Unfortunately neither approach seems likely to do much to encourage domestic expansion in Japan and to reduce the US-Japanese trade imbalance. Indeed, one of the overwhelming impressions that the foreign visitor brings back from Tokyo is that conventional monetary and fiscal tools are not, in themselves, enough to do the job and no amount of unconventional arm-twisting and jawboning will prevent a dollar decline if that is what the markets want.

The real key lies in structural reform to correct Japan's savings-investment imbalance, which is the counterpart of the trade surplus. Yet this cannot be done unless Japan recognises its wider international responsibilities. As the world's biggest creditor nation, with external assets that will top $300bn this year, it has to open up its domestic markets and must ultimately be prepared to run a trade deficit if its debtors are to service their debts.

Mr Yasuhino Nakasone, the Prime Minister's, recent commitment in Washington to *export $30bn to indebted countries* in the Third World implies partial acceptance of a wider Japanese role. But only partial. Even at the very highest level in the Ministry of Finance visiting journalists are assured that Japan will need to run a trade surplus in the 1990s. With the US cutting back its deficit, however slowly, who will be prepared to run the counterpart deficits to the Japanese surplus?

Mr Yoshio Suzuki, president of the Institute for Monetary and Economic Studies of the Bank of Japan, says he expects the deficits to be spread mainly between the US and less-developed countries in the Pacific such as Singapore, Malaysia, Hong Kong and China. Yet this hardly seems plausible. The successful newly industrialising countries in the Pacific show every inclination to follow Japan's mercantilist example in running trade surpluses. And the prospect of China, with its desperately under-developed economic infrastructure, becoming a significant capital importer is disturbing — a point that appears to be understood in Peking.

The chief obstacle to a conventional fiscal stimulus meanwhile, lies in distortions in the property market, which is experiencing an even bigger speculative bubble than the stock market. This has rightly been identified in successive reports by Mr Haruo Maekawa, a former governor of the Bank of Japan, as an overwhelming cause of the domestic imbalance between savings and investment.

Tight planning controls and heavy taxes on land sales have pushed land prices in central Tokyo's very fragmented market to as much as $300,000 a square metre; *site assembly* for an efficient multi-storey office development can take up to 20 years for any developer who can be bothered to try. The Japanese people, in the meantime, are forced to save excessively, to invest in poor-quality housing which is so cramped as to constrain their ability to buy consumer goods.

One implication is that any attempt at fiscal stimulus through investment in infrastructure does more to redistribute wealth than to increase demand, because more than 90 per cent of the expenditure goes on land purchase. Another is that greater efficiency in land use could dramatically transform the potential for domestic economic growth.

Mr Richard Koo, of Nomura Research Institute, has used UN construction statistics to calculate the effect of applying European construction standards to Japanese residential floorspace. He concludes that residential construction spending would have been more than double over the past 20 years and that Japan would not have moved into current-account surplus until 1984 if flimsy Japanese homes with an average life of 25 years had been replaced by West German-style building standards. This swap would also have provided an enormous domesic investment outlet for the growing savings mountain.

A similar impetus to domestic growth could be delivered if the Government were prepared to address another aspect of the land problem—agricultural protection. As US politicians quite reasonably point out, grossly inefficient Japanese rice farmers occupy a disproportionate amount of the non-mountainous areas of Japan and sell their produce to domestic consumers at up to *eight times the world* market price. Yet there is little prospect of liberalisation because farmers are part of the bedrock of the ruling Liberal Democratic Party's support. Nor can urban land be liberalised without inflicting heavy financial losses on much of the population, both directly and through the stock market where share prices rely partly on inflated land values for support.

At the OECD meeting this week Mr Mitsuki Kato, the Japanese Agriculture Minister, was busily and predictably emphasising his Government's worries about increasing its reliance on imported food. That, together with Mr Nakasone's recent defeat in parliament over sales tax, is a powerful indication of the obstacles to structural reform.

We have, in other words, reached the limits of economic interdependence. Interest group politics in Japan have paralysed attempts to cope with the imbalance of savings and investment. *On the American side,* President Reagan is unwilling to address an equal and opposite imbalance by raising taxes to cut the US budget deficit. Home-buyers in Iowa no more know that they owe their cheap mortgages to Japanese savers than the Osaka factory-hand realises that Japan is more vulnerable in a trade war than the US.

With the benefit of hindsight, the liberalisation of capital flows in the present economic cycle has been instrumental in permitting the two largest economies in the free world to defer confronting their problems. The trade-off was between lower interest rates in the US, and higher export earnings in Japan, between oriental thrift and the western urge to consume. *As with the very similar* process of bank intermediation between oil producers and consumers after the oil price shock in the 1970s, there is a hangover after the party. The US/Japanese imbalances on both current and capital account have reached unmanageable proportions.

For the moment the ageing Japanese population, together with the sagging growth rate, will ensure that savings will continue to pile up and look for outlets overseas. The only capital market that can absorb this enormous flow without difficulty is that of the US, which is why Japanese were reluctantly tempted into US Treasury bonds last week, despite their earlier losses.

In the absence of structural reforms, the savings investment imbalance will not go away. Hence the growing suspicion among economists that there is little alternative to further US protectionism and a further appreciation of the yen. Neither will cure the trade surplus. But *they could administer a powerful* external shock to the Japanese political and economic structure, without which it is hard to see the emergence of a consensus for change.

A stock market crash in Tokyo, in response to corporate bankruptcies induced by a higher yen, would be painful. Capital mobility would also ensure that the backwash was felt around the world. But a shock of this kind may yet prove to be in the longer-run Japanese interest, as well as that of the rest of the world. For if anything is clear, after the huge losses that the US has imposed on Japanese savers over the past two years, it is that the US has no great urge to stump up for Japanese pensions in the 21st century.

UK employment

Too much pessimism about the market

By Lord Young

MOST people would agree that the simple definition of an improving employment scene is more jobs. Others prefer fewer people unemployed. But outside both of these definitions, lie a variety of other indicators. There has been a lively correspondence in the Financial Times about both the definition of an "improving employment scene" and how that scene has changed.

The definition preferred by Professor Layard, and apparently by Samuel Brittan too, is the number of jobs as a percentage of the population of working age.

Now that is a rather odd definition as there is no real link between the two: the proportion of the people of working age who want a job varies from time to time. This is called the activity rate. It is possible to have a constant population of working age but a higher or lower number actually seeking job opportunities due to changes in activity rates.

But the indicator preferred by Professor Layard is further confused since increasing the population of working age can, by itself, adversely effect the employment scene. The US has shown that a flexible economy with low unionisation can absorb a large increase in population of working age. But that simply did not happen in the inflexible economies with high unionisation of Britain and Europe. Between 1979 and 1987 the UK population of working age rose by 1½m. That increase became reflected in our unemployment figures.

Professor Layard used his preferred definition with the recent employment statistics to conclude that "performance of the job market looks pretty dismal" (FT February 11) and that we have "static employment opportunities" (FT April 11). I suspect that, for once, the politician in him got the upper hand, for his assessment of recent changes in the labour market is far too pessimistic. He took small movements in incomplete and provisional information and made a wrong assessment.

The table below summarises all the key facts about the labour market during 1986. The employment figures have been revised since Professor Layard's original article and the latest figures show:

- Employment has risen, especially in the second half of the year when the total number of jobs increased by 144,000.
- Unemployment has fallen, with the rise in the first half of the year being more than offset by the substantial fall of around 100,000 in the second half.
- Even on the indicator preferred by Professor Layard—the employed as a percentage of population of working age—there has been an improvement over the year. True, it is not a huge improvement because the population of working age continues to rise, but it exists.
- In the second half of the year, the two-year Youth Training Scheme (YTS) developed, there have been an increasing number of trainees, most of whom are not counted as employees. If, as we should, we were to add in these trainees to the calculation of people employed as a percentage of the population of working age we would have an even better picture

The most straightforward indicator still remains the total number of people *unemployed*. The general accuracy of our monthly count of the unemployed is confirmed by the annual Labour Force Survey which shows that, if anything, the monthly count overstates unemployment.

The overwhelming reason for the fall in unemployment since the middle of last year has been an increase in employment and the figures show that. The increased uptake of YTS traineeships as the two-year scheme has developed may also have contributed. I hope that our Restart programme will also continue to help in channelling long-term unemployed people towards the labour market. This is confirmed by indications that long-term unemployment was falling in the second half of the year.

All these figures cover only 1986, but unemployment has continued to fall substantially in every month during 1987. It has now fallen for each of the last 10 months and is down by about 200,000. Of course we all want to see that fall continue. But attempts to deride that success through using odd definitions based on out-of-date information *do nothing to help.*

The author is Secretary of State for Employment.

UK EMPLOYMENT*

	Employees	Total employed labour force	Unemployed (excl school leavers)	YTS non-employee trainees	Pop. of working age**
Dec 85	21,069	23,951	3,013	253	33,816
June 86	21,098	23,986	3,093	248	33,891
Dec 86	21,192	24,130	2,992	295	33,979
Change first half 1986	+29	+35	+80	−5	+75
Change second half 1986	+94	+144	−101	+47	+88

	Employees % population of working age	Total Employees	Employed plus YTS non-employee trainees
Dec 85	62.30	70.83	71.58
June 86	62.25	70.77	71.51
Dec 86	62.37	71.01	71.88

* Thousands, seasonally adjusted (except YTS non-trainee figures which are not seasonally adjusted).
** Based on estimates for June 1985 and projections for June 1986 and 1987.

Letters to the Editor

Can America make it?

From Mr H. Shutt

Sir,—Many readers must be perplexed by the appearance of your new series of articles "Can America make it?", depicting Uncle Sam as an economic dinosaur facing imminent extinction. Can this be the same America, they are doubtless wondering, which a short time ago was being extolled by Mrs Thatcher and Mr Lawson as a paragon of economic dynamism which we must strive to emulate?

If it is true, as suggested in the first article (May 11), that much of US manufacturing industry has failed to respond to international competition or to invest sufficiently in new technology, what price the famed entrepreneurial spirit or the market disciplines enforced by corporate raiders? And should we really be seeking to follow a model whose vaunted success in creating jobs has only been achieved at the price of stagnating productivity and falling living standards?

For those who have been studying comparative trends over the years a more intriguing question is how it has been possible to sustain the myth of American economic strength for so long. The fact is that productivity in the US has consistently grown more slowly than in the rest of the OECD for at least the last 25 years and its lack of competitiveness was a major factor behind the dollar collapse of 1971. Yet now that the reality has become inescapable we surely need to ask whether there may not be some connection between the economic decline of the US — and of its chief rival in industrial inefficiency, the UK — and the fact that these are the two countries where finance capital enjoys least restriction on its activities and where consequently managerial thinking is dominated by speculation, asset stripping and chronic short-termism — in contrast to approach of Japan, South *Korea and much* of Continental Europe.

If your series can focus on such questions (however unpalatable the answers) rather than pander to delusions about "enemies within" it will have served a valuable purpose.

Harry Shutt,
The Grange,
Hillside,
Horsham, Sussex.

Life assurance companies

Sir,—It is to be hoped that the views expressed by the chief general manager of the Sun Alliance Insurance Group (May 12) are not widely held in the industry.

Of course life assurance is a long-term business, and for that reason policyholders need special protection, which is provided by statute, notably in requiring the appointment of an independent actuary, and in restricting the activities in which a life company may engage.

But that does not make directors of a life office "in effect trustees for their captive policyholders" (whose status is that of creditors, with or without a right of participating in profits), and still less does it make life companies "improper targets for disputed takeover bids." The policyholders of Eagle Star (of whom I am one, as well as being a former shareholder) have *not* suffered from its disputed takeover by BAT Industries; and Mr Bowler *may have* forgotten that in 1965 Sun Alliance made a successful offer for the shares of London Assurance.

The fact that Sun Life has been a satisfactory investment for Sun Alliance ought to be the primary, not "an additional," reason for Mr Bowler's support. The preservation of the *status quo* as an end in itself is apt to preserve inefficiency as well.

Ralph Instone.
7 New Square,
Lincolns Inn, WC2

Talking down to the natives

From Mr P. Wood

Sir,—Talking down to the natives has been a pastime in England (my experience of Wales is limited) for as long as I can remember. The assumption that manual workers or even foremen, as in the advertisement (May 14) by the *Geoffrey* Morley pension fund, have limited horizons and no contact with the sort of information possessed as a matter of course by your readers and by Morley's managers may be factually correct but the very assumption is a serious reflection on industrial relations and on the company managements to which the advertisement is appealing.

Down here, of course, our natives do indeed lack an acquaintance with pension funds, with supply-side economics, with Proust and the better sort of claret, but they compensate for this by working very hard at least six days a week for long hours, taking short lunch breaks, helping the community and the Church and making shrewd, pithy comments which the rest of us can use for life-guidance. This who talk down to them for too long are, in true Ambridge style, removed from their posts.

Peter Wood,
Newbold Farm,
Duntisbourne Abbots,
Cirencester, Glos.

Privatising electricity

From Mr R. Brown

Sir,—If Mr Henney (May 1) is seeking better-founded facts than his own, he might start by examining the National Utility Services (NUS) survey statistics published in your newspaper on April 30. Despite Mr Henney's statement that Virginia Power (a typical US utility?) has access to fossil fuel at about 60 per cent of the prices paid by CEGB, the NUS figures indicate that US industry pays 6 per cent more for its electricity (some 80 per cent of which comes from investor-owned utilities) than the UK, with West German industry paying some 53 per cent more.

Mr Henney's vision is apaprently for a privatised ESI (electricity supply industry) where, fo ra start, massive import substitution would provide access to cheaper fuel (with the loss of all but a handful of existing coal mines) and cheaper plant (with the demise of the remaining UK power plant manufacturers) and create a deteriorating balance of payments position. To increase trading profit further still, it would appear that he proposes a reduction in staff and salaries (especially engineers' salaries) notwithstanding the fact that staffing costs account for only some 10 per *cent of total costs in an organ*isation such as CEGB. Presumably Mr Henney has no qualms over employing an inadequate complement of staff of below-average ability and experience as custodians of the ESI's assets of some £36bn and is equally unconcered about sacrificing safety and reliability on behalf of unwitting consumers.

Mr Henney is adept at pointing up the disadvantageous position in which electric utilities in Germany, *New York and* Japan can find themselves in international comparisons, but ignores parallel disadvantages facing the ESI which include the internal generation (from customer receipts) of its capital investment requirements and its negative external financing l negative external financing limit(planned to be £1.4bn for 1986-87).

No attempt is made to identify any benefits to UK Ltd or the consumer that might result from privatisation, and one is left to conclude that the principal proponents will be those motivated by notions of windfall profits, private gain at the expense of public service, and party dogma.

R. Brown.
11, Stanhope Gdns, N4.

Local authority borrowing

From the Leader of the Opposition,
London Borough of
Hammersmith and Fulham

Sir,—Both Gordon Prentice (May 12) and Simon Knott (April 30) have misrepresented the points I made in my letter of April 24. The elected council in 1990 will be facing a financial abyss created by this extreme Left-wing council, which is bent on a policy of creating a cash crisis—in my view another word for bankruptcy.

The starting point for the council at that time will therefore be to slash the frightening bureaucracy that has been created, but even after that there will be insufficient resources to meet all commitments. For example, almost all our capital allocation will be taken up funding the debt it has created, leaving nothing for vital housing improvements, since the £100m deferred purchase money will have been used up.

At that stage the councillors will have to decide between neglecting their statutory duties to the citizens of the borough, or to pay back the horrendous debts incurred.

Let me illustrate the magnitude of the problem by pointing out that this year the council has increased the borough rate by 127 per cent, and a further rise of at least this amount is already committed next year, unless we are rate-capped. This administration will continue along such a path, or by an financial means that anyone can devise, to spend, spend, spend until 1990.

My original letter sought to point out that no system of local government finance can be made to work when elected members deliberately set out to ignore "ideas about sound financial management too often clouded by a static view of politics."

What is, however, unforgiveable is for banks to aid and abet such local authorities to carry out such unsound financial policies and they will only have themselves to blame for the inevitable consequences.

(Councillor) Peter Princes.
Town Hall,
King Street, W6.

FINANCIAL TIMES

Friday May 15 1987

State of emergency declared after Fiji coup

BY ROBIN PAULEY, ASIA EDITOR, IN LONDON

A STATE of emergency was declared in the Pacific island of Fiji by the Governor General last night following a bloodless coup led by the Fijian Army's third ranking commander.

Australia, New Zealand, India and Britain led a wave of international protests against the coup, the first time in the South Pacific region that a democratically elected government has been overthrown by the military.

Mr David Lange, Prime Minister of New Zealand, said he did not rule out a regional response to any call for help from Fiji's legitimate leaders. Mr Bob Hawke, Australia's Prime Minister, said his country would not intervene militarily at this stage.

Brig Epeli Nailatikau, the Fijian Army chief, and his deputy were in Australia when the coup occurred. They rejected the idea of outside military intervention.

Brig Nailatikau said he was still commander in chief and would return to Fiji as soon as possible.

However, the coup leader, Lt Col Sitveni Rabuka, said he had sacked his superiors, made the Governor General redundant, reshuffled the police force and assumed the role of both army chief and acting head of state until he could appoint a council of ministers. New elections would be called later.

Lt Col Rabuka and 10 hooded soldiers had stormed the parliament building and arrested Dr Timoci Bavadra, the Prime Minister, and his predominantly Indian Cabinet.

They were bundled, unharmed, into trucks and driven to an army camp as Lt Col Rabuka suspended the Constitution.

Control of executive power became less clear, however, yesterday when Ratu Sir Penaia Ganilau, the Governor General of the former British colony, which gained independence in 1970, found a way to speak directly to the nation. He said in a broadcast on a commercial radio station that, as the representative of the Head of State, Queen Elizabeth, he had assumed executive power "in the temporary absence of ministers of the Crown"

Chris Sherwell looks at the dangers and opportunities presented by yesterday's military uprising

Falling into the Third World trap

YESTERDAY'S bloodless army coup in the South Pacific island state of Fiji, the first successful military overthrow of an elected government in the region, is the start of a journey down an uncertain and potentially tragic road.

It is also the unexpected climax to a series of events which, although beginning with the election four weeks ago, have their origins in 96 years of British colonial rule and 17 of independence.

If there is much about Fiji which is unique, there is also much that is familiar to historians of African and Asian Third World countries.

- its 720,000 population spread across 100 attractive islands is over-dependent on a single crop, in this case sugar, and on tourism; suffers from a weak infrastructure and young institutions.
- the country has an inflammable mix of two races, indigenous Melanesian Fijians and long-resident migrant Indians, with the latter in a small majority.
- its political and social system has tended to favour the tribally organised Fijians and leave the Indians, despite their superior economic power, feeling as if they are second-class citizens.
- its neighbourhood has become the target of intensified superpower and regional power rivalries. Apart from the US, Australia and New Zealand, all of which have long been active, the Soviet Union has displayed a re-awakened interest: France is vociferously defending its colonial presence; and Libya has recently entered the fray.

All this means there is cause for hope as well as worry. Hope, because Fiji's Westminster-style democratic system and its professional army may have some roots. Worry, because of the threat which a coup poses to regional security as well as domestic business investment and tourist arrivals.

Although the first Europeans arrived in Fiji in the early 1800s, it was not until 1858 that Britain placed a consul in the country and 1874 that Britain became the colonial power. Thereafter it did not take long for the sugar industry to become established and for Indian migrant workers to be brought in.

When the country became independent in 1970, Ratu Sir Kamisese Mara, the Chief Minister, became Prime Minister, a position he continued to hold until last month when his ruling Alliance Party was defeated in the election.

It was the fourth poll since independence. In each case the Alliance had taken on the Indian-dominated National Federation Party and ended up forming the Government – in 1977, a minority government which lasted only six months.

Last month, the National Federation Party ran with the new trade union-linked Labour Party in an unusual multi racial coalition. At the end of the customarily lengthy election and counting process, it emerged with 28 of the 52 seats.

This promised to be more than just the first multi racial government. It would be the first with a majority of Indians in it; it would be supported by the union movement and – most intriguing of all, internationally – it would be committed to a non-aligned foreign policy.

In particular, the new Government said it was anti-nuclear. It supported the idea of nuclear-free zones, and its stated intention was to follow New Zealand and operate a ban on port visits by nuclear-armed or nuclear-powered ships.

This represented a radical departure from the pro-Western stance of Ratu Mara, and prompted serious worries in London and Washington.

Rightly or wrongly, Sir Geoffrey Howe, the UK Foreign Secretary, chose not to make direct contact with the new leadership on his way back from Australia and New Zealand last month, even though he made a refuelling stop there. It was said to be too soon for such a visit – the new Government had not settled down.

Gen Vernon Walters, the much-travelled US Ambassador to the United Nations, on the other hand, made a highly publicised stop in Fiji during his recent tour around the region, and delivered the now familiar reminder that US policy was not to reveal details about its naval ships.

Inevitably, speculation about causes of the coup have embraced all possibilities, including US, Soviet and Libyan involvement. But most theories have tended to focus on the internal situation in Fiji since the election.

Despite repeated assurances by Dr Timoci Bavadra, the new Prime Minister and himself a Fijian, Fijian concern about loss of power and influence boiled over into peaceful but unprecedented street protests in the last week of April.

Since then, a former cabinet minister has been charged with sedition and released on bail, and a senator has appeared in court in connection with arson attacks on offices used by a new minister.

Embarrassingly, further demonstrations delayed a swearing-in ceremony and the governor-general's speech at the opening of the new Parliament.

It seemed increasingly plausible that the protest and demonstrations might be escalated until the military was asked to help keep law and order. This would put the army, 95 per cent Fijian, in a difficult position.

Lt-Col Sitiveni Rabuka, who led yesterday's intervention while his senior commanders were out of the country, alluded to just this possibility in explaining his action.

"After monitoring events of the past few weeks," he said, "and with information about planned activities of certain groups in the community, I believe it was in the national interest."

Ratu Mara has been curiously silent throughout all these events. Last night, where he stood – and more importantly, where the armed forces chiefs, the governor-general and the British Government stood – assumed critical importance to Fiji's future.

THE LEX COLUMN

Sisters, but not twins

It is strange that as Shell and BP appear to be moving in opposite directions strategically, the rating of their shares has most spectacularly converged. On most assumptions of dividend growth this year, the yield on BP shares is about 4.9 per cent, with Shell only marginally dearer at 4.8 per cent.

While BP has certainly made tremendous improvements to its downstream operations, even the company itself conceded yesterday that it was not yet a complete match for Shell in refining efficiency. And, although the $7.5bn Standard Oil acquisition appears to make excellent sense, BP is now about 50 per cent geared whereas Shell, having repaid £1.2bn of debt in the first quarter, has a completely clean balance sheet.

Further ahead, while Standard deal will give BP full, and tax efficient, access to a stupendous stream of hydrocarbons, it does nothing to fill the reserve gap in the 1990s.

Difficult as it may now be to comprehend, the purchase of the Standard Oil minority may just be a deal which is designed as the fulcrum for some more far-reaching acquisition.

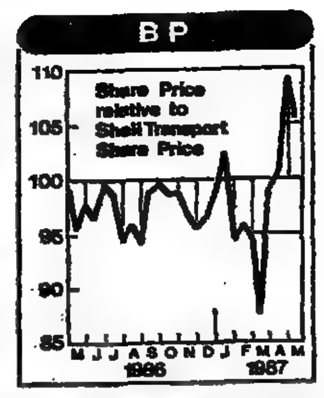
It is almost spine-tingling to contemplate Shell's capacity to gear up. For Shell's balance sheet to take on the gearing now tolerated by BP would require an acquisition of $25bn. That is not an idle concept, particularly as Shell is not intending to follow the path chosen by Exxon of shrinking through a programme of purchasing its own shares.

Such gigantic manoeuvres were not much on the stock market's mind yesterday. It was just going about the sensible business of responding to some very respectable first-quarter figures from the European branch of the Seven Sisters.

The results, to the extent that they are comparable, are remarkably symmetrical. BP's replacement cost net profits were down 56 per cent, Shell's by 54 per cent. Yet, while Shell's share price gained 2 per cent to £13¼, BP's jumped 4 per cent to 356p. When you're hot, you're hot.

Inner profits

A tantalising glimpse into the true profitability of London merchant banks is offered by the Bank of England's annual report. As seen in the banking returns, the accepting houses were making a pre-tax return on total equity of just under 25 per cent in 1985 – up from 20 per cent in 1984 – and since revenues increased by at least 30 per cent in 1986, that figure was probably still improving as the Titanic sailed towards Big Bang.



Grand Metropolitan

Having spent some years in a perhaps too enthusiastic pursuit of acquisitions, supposedly, though not always apparently strategic, Grand Metropolitan is now set on on the task of actually managing them. At the same time the latest deals, notably Heublein, show a welcome determination to buy businesses which more obviously add to its strengths.

If the new (mostly promoted) management can sort out the black spots while the profits come through from the other purchases, the outlook for profits growth is distinctly pleasing. Failing that, some more sales can be expected.

Yesterday's interim results do bear witness to some good work already done, if hidden in an 11 per cent rise to pre-tax profits of £212.8m. Growth in the UK and in those US businesses regarded as continuing has been more than adequate, while wines and spirits clearly had an outstanding half after the tough times of last year.

Frightened tourists cannot bear the whole blame for difficulties in the hotels, currently employing some of the GrandMet trouble shooters.

Parts of the US consumer activities still sit oddly within the group and it may not be that long before another follows the exercise machine company – not so long ago considered to be in such an attractive market.

The main short-term concern is that even if GrandMet gets its lines right, the dollar will hinder profits while the rising tax charge slows earnings growth. If a 4 cent adverse move in the first half cost £6.6m, the larger fall in the dollar since must hit the second half even worse.

Heublein will more than pay its dollar-denominated interest charge, though, and pre-tax profits, including property, should top £440m (£367.7m). A prospective multiple a touch over 14, with the shares up 5p to 526p, is not asking too much of anybody.

Saatchi & Saatchi

Saatchi & Saatchi shares have struggled so hard to recover from last year's ultra-heavy rights issue that thoughts of a repeat performance must be the last thing on any Saatchi's mind. So it was particularly unfortunate for the analysts to come back from yesterday's results briefing convinced that another demand for equity was about to be unleashed.

Given the perfectly respectable degree to which earnings growth had outpaced the increasing number of shares in issue – by a bit more than market expectation, in fact – it seemed a perverse reaction to go home and sell the shares down 5 per cent, to 524p. After all, Saatchi has not only persuaded the acquisition arithmetic to work, but shown a significant margin improvement across the group, not all of it attributable to the inclusion of some new businesses with higher margins than the old.

Though there is a sense of unresolved questions hanging around Saatchi – is it going to merge any of its agencies, can it get its consultancy business up to the scale achieved in communications? – nothing about yesterday's results did anything to heighten those particular uncertainties. But the statement was longer on breadth and brilliance than it was on detailed information. And the market's dread of rights is right about one thing: Saatchi's balance sheet, nowadays denuded of goodwill, remains chronically short of equity.

Politburo official addresses Moscow demo

BY PATRICK COCKBURN IN MOSCOW

AN UNPRECEDENTED demonstration by 400 people in central Moscow was addressed for two hours by Mr Boris Yeltsin head of the Moscow Communist Party, who re-assured demonstrators that promised reforms and changed would be carried out.

Details of the incident, which happened last week, have just been announced.

The significance of the demonstration is that this is the first time in 50 years in the Soviet Union that such an unauthorised gathering has not only been allowed to take place but has also succeeded in persuading a senior official such as Mr Yeltsin – who is a non-voting member of the Politburo – to address them.

Carrying banners with slogans such as "we demand a meeting with Gorbachev and Yeltsin" and "Down with the saboteurs of reconstruction" the demonstrators marched to the Moscow Soviet of People's Deputies where Mr Yeltsin agreed to see them.

The marchers belonged to a group called "Memory" which, according to the first full account of the demonstration in this week's Moscow News, is an organisation set up by its members to preserve old buildings in Moscow and support mr Gorbachev's reform.

The new paper criticises the group for its intolerant Russian nationalism and tendency to denounce opponents as "agents of the CIA."

The occasion for the demonstration was a rumour that building work had restarted on a vast monument commemorating the Soviet victory in the Second World War near central Moscow. This was officially dropped by the Politburo last August after much public opposition on the grounds that the proposed monument was hideous.

Patriotic and environmentalist sentiment in the capital were both outraged by the monument because the builders had bulldozed Poklonnaya Hill, a place famous in Russian history as the site where Napoleon waited in vain in 1812 to receive the keys of Moscow.

Mr Yeltsin re-assured the demonstrators that work had really stopped on the monument and said cranes on the site would be taken away. Answering questions about the progress of reform, he said that 40 per cent of the ruling Communist Party Central Committee for Moscow City were changed last year.

He said the reason for the shortage of houses, consumer goods, transport and health facilities in the capital was that the population of the city (about 9m) was 1.1m more than planned for 1990. In addition, 3m extra people a day visit Moscow in summer and 2m in winter to buy goods in the capital's shops.

During Mr Leonid Brezhnev's 18 years as Soviet leader, facilities in Moscow deteriorated and the city's administration, headed by Mr Viktor Grishin, became a byword for corruption and inefficiency.

Many officials have been dismissed by Mr Yeltsin since he was appointed to clean up the city in 1985, but he admits that improvements have been slow.

On protecting old Moscow, Mr Yeltsin said that 9,500 buildings were now the subject of preservation orders including 1,000 which were in urgent need of restoration.

He also said there was no settled procedure for Communist Party leaders to meet pressure groups but added that in the past there had also been no tradition of meeting with press and television but this had been changed.

BAe to get £450m aid for Airbus

By Lynton McLain in London

BRITISH AEROSPACE yesterday declared itself "well satisfied" with a UK Government decision to provide £450m ($751m) in launch aid towards its part in the development of the next generation of Airbus Industrie airliners.

BAe had originally sought £750m for its participation in the intercontinental A340 and the medium range A330 projects.

Britain has become the first government to decide on launch aid requests from the Airbus Industrie consortium members – Aerospatiale of France, Messerschmidt Bölkow Blohm's Deutsche Airbus subsidiary, each with 37.9 per cent, BAe with 20 per cent and Casa of Spain with 4.2 per cent.

Announcing the decision in the House of Commons yesterday, Mr Paul Channon, Trade and Industry Secretary, said: "At this stage, our support is conditional upon our partner governments also making the arrangements that are necessary to enable their manufacturers to participate in the project."

Full support from the West German Government looks in doubt. Mr Gerhard Stoltenberg, the West German Finance Minister, said last night the DM 7bn ($3.9bn) being sought by Deutsche Airbus to resolve a number of problems was "too much."

The West German Government has given general political backing to the idea of widening the Airbus airliner family, but the Finance Ministry and the Economics Ministry, responsible for aerospace, have been trying hard recently to increase the share of funds put up by German industry rather than the Government.

Mr Stoltenberg said the Government wanted to strengthen the industrial base of Deutsche Airbus as a condition for contributing to the new Airbus projects.

Scandal erupts over Brazilian railway

Continued from Page 1

per also added that every winning tender offered prices for the works at 10 per cent below the budgeted construction cost. "This demonstrates that the price established by the Government was absurdly high," the paper said.

The exposure has provoked a storm of protest in Congress and the Brazilian press, forcing President Sarney to order an immediate cancellation of the contracts, a new tendering and an inquiry.

Yesterday, front-page Transport Ministry announcements appeared in several newspapers announcing the new tender and promising severe punishments if any corrupt action by public servants was unveiled. But officials have repeatedly insisted that there was no malpractice on the part of the Transport Ministry or Valec.

The Government's conclusion is that the contractors – all blue-chip Brazilian civil engineering companies – must have formed a cartel and organised bidding to ensure that each won a slice of the cake. All have now been banned from participating in the new tender.

Specifically, Mr Francisco Cunha, engineering director of Valec, said that the company had been prepared to encounter any "cartelisation" of price tendering, but warned that it was near impossible to combat. "In the history of Brazilian heavy construction there has not been a retrospective penal action against an infractor," he said.

However, a large number of politicians and commentators are not convinced that a simple cartel of construction companies is the whole story. There are fears, also, that the forthcoming inquiry, to be conducted by Valec, will fail to discover the complete truth.

Mr Luiz Inacio Lula da Silva, a left-wing deputy opposed to the railway, described the Valec inquiry, as "putting a fox in charge of chickens to ensure their well-being."

Several deputies from the dominant Democratic Movement Party (PMDB) have called for the immediate sacking of Mr Jose Reinaldo Tavares, the Transport Minister, following the revelations.

Many politicians are continuing to challenge both the constitutional legitimacy of pressing ahead with the railway and its wisdom. Several have expressed outrage that the Government has used powerful decree law to establish the line, without allowing Congress to debate the project.

Many argue that this – the largest public works scheme for at least a decade – must be questionable when many near-bankrupt municipal and state governments are dismissing thousands of public servants, and the Federal Government has been forced to call a moratorium on its $113bn foreign debts.

Others doubt the practicality of the railway. They point out that its course parallels the Brasilia-Belem road, and the river Tocantins – itself a long-established transport route.

Furthermore, many development planners believe that the land adjoining the planned tracks – intended to provide Brazil's new grain basket – is poor and unproductive.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Dubrovnik	R	14	57	Malta	F	21	70	Rhodes	S	20	68
Algiers	Sn	19	66	Edinburgh	R	6	43	Manchester	R	10	50	Rio de J'o	S	33	91
Amsterdam	R	8	46	Faro	C	20	68	Manila	S	37	99	Rome	S	18	64
Athens	S	20	68	Florence	F	21	70	Melbourne	F	20	68	Salzburg	F	10	50
Bahrain	S	34	93	Frankfurt	F	10	50	Mexico City	S	26	79	San Francisco	S	28	82
Bangkok	C	31	88	Funchal	F	20	68	Miami	S	23	73	Seoul	S	23	73
Barcelona	F	16	61	Geneva	F	12	54	Milan	S	17	63	Singapore	F	30	86
Beirut	S	20	68	Gibraltar	S	22	72	Montreal	C	20	68	Stockholm	F	12	54
Belfast	R	9	48	Glasgow	C	8	46	Moscow	F	22	72	Strasbourg	F	13	55
Belgrade	R	10	50	Guernsey	C	11	52	Munich	F	8	46	Sydney	S	25	77
Berlin	R	11	52	Helsinki	R	9	48	Nairobi	C	26	79	Taipei	C	22	72
Biarritz	C	14	57	H. Kong	C	25	77	Naples	C	21	70	Tangier	F	30	86
Bombay	C	36	97	Innsbruck	S	11	52	Nassau	C	30	86	Tel Aviv	S	25	77
Bordeaux	C	15	59	Inverness	F	9	48	New Delhi	C	32	90	Tenerife	S	23	73
Brussels	R	8	46	Islamabad	S	31	88	New York	C	20	68	Tokyo	R	13	55
Budapest	C	9	48	Istanbul	S	21	70	Nice	S	18	64	Toronto	S	19	66
B. Aires	S	17	62	Jakarta	R	33	91	Nicosia	S	28	82	Tunis	C	23	73
Cairo	F	33	91	Jersey	C	11	52	Oporto	S	19	66	Valencia	C	14	57
Cape Town	F	17	63	Jo'burg	S	24	75	Oslo	C	8	46	Venice	S	16	61
Caracas	—	—	—	Lima	C	24	75	Paris	R	8	46	Vienna	F	11	52
Casablanca	F	21	70	Lisbon	C	20	68	Peking	S	25	77	Warsaw	R	8	46
Chicago	C	26	78	London	C	13	55	Prague	F	11	52	Washington	C	13	55
Cologne	R	11	52	Los Angeles	C	25	77	Reykjavik	C	7	45	Zurich	F	12	54
Copenhagen	C	10	50	Luxembourg	R	7	45								
Corfu	F	19	66	Madrid	S	19	66								
Dallas	S	19	66	Majorca	C	18	64								
Dublin	F	10	50	Malaga	F	25	77								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK moves to limit £

Continued from Page 1

The official attitude to fluctuations in the pound's value is thus asymmetrical; the authorities will resist any further appreciation while they would tolerate some – though not a substantial – fall.

The Bank, however, plans to lean against pressure for another cut in interest rates and instead aim to continue braking sterling's rise through intervention. Apart from concerns about rapid growth in credit demand, there are uncertainties as to the extent that recent inflows into sterling may reflect short-term or "hot" money, which could quickly be moved out in the event of a political upset.

Despite the Bank's action, the pound still closed firmer in Europe, just below DM 3.00 at DM 2.9975 compared with Wednesday's closing DM 2.9925. It also closed higher at $1.6780 compared with Wednesday's closing $1.6715.

The dollar came under severe pressure because of market disappointment that there had not been more of an improvement in the US trade deficit. In March, the deficit narrowed to $13.6bn from February's $15.1bn shortfall.

In the UK Government bond market, the Bank of England's tender of £1bn 8 per cent Treasury stock due 2002/06 appeared to have been heavily undersubscribed. All bids were allotted in full at a minimum price of £94.75 per cent.

Bonn dashes tax cut hopes

Continued from Page 1

The West German Government believes it has to make some sort of gesture – such as the statement in Paris yesterday – to parry foreign criticism of Bonn's growth policies. But in private officials declare themselves relatively satisfied with the current position.

They say they are happy that growth is still continuing, albeit at a lower level, after five years of upturn, and that inflation is still well under control.

A mood close to exasperation among Bonn policymakers about foreign calls for budgetary stimulus is shared by some key industry executives.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday May 15 1987

Deutsche Bank plans DM 1.2bn rights issue

BY ANDREW FISHER IN FRANKFURT

DEUTSCHE BANK, West Germany's largest bank, yesterday announced plans to raise nearly DM 1.2bn ($670m) through a rights issue, stating also that operating profits in the first four months were down on the same period of last year.

The unexpected capital call had a dampening influence on the stock market, with the Commerzbank index losing 11.3 points to close at 1,788.3. Deutsche's own shares dropped by DM 14 to DM 624.

Shareholders will be able to subscribe for the new shares next month on a one-for-15 basis at a price of DM 450 each. The bank said it was making the issue to raise its equity basis in line with increased business.

Analysts said the market was surprised by the rights issue, coming at a time of general price weakness. One noted, however, that the actual burden on the market would be less than the full DM 1.17bn of the issue, since shareholders would be channelling back some of their dividend payments into paying for the new shares.

The statement by Mr F. Wilhelm Christians, co-chairman of the bank, that profits were down was in line with the general expectations that 1987 is proving to be a tougher year for the banks.

Mr Christians made his comments at the annual meeting yesterday in Berlin. The profit indication was made without taking account of last year's high earnings on the flotation of the former Flick industrial empire.

Total business volume of Deutsche Bank was 7 per cent higher in the January-April period, he added. As expected, commissions from securities business and profits on own-account trading had not reached last year's high levels.

Analysts noted that the weaker state of the German stock market, influenced by the fall in the dollar which hampers exporting companies, was a key reason for generally lower bank earnings. They suggested, also, that Deutsche Bank would mainly use its rights issue proceeds in investment banking, where competition has become stiffer.

BASF advances in spite of an 11% decline in sales

BY TONY JACKSON IN LONDON

BASF, the West German chemical group, had a "cold start" in 1987, but managed to increase pre-tax profits in the first quarter by 3 per cent to DM 670m, the group said.

Dr Hans Albers, BASF chairman, said the group was continuing to make good progress, despite the imponderables of currency, raw material prices and the development of the economy.

The results round out the first quarter figures from the three German chemical giants, Hoechst and Bayer having reported already. As often, the three sets of results are closely in line, and all three companies have similar expectations of broadly unchanged profits for the year as a whole.

BASF's sales in the quarter slumped by 11 per cent to DM 9.8bn, on roughly unchanged volume.

The fall was caused partly by the rise of the D-Mark, but also by a 30 per cent decline in turnover at the Wintershall oil business due to the lower oil price.

The fertiliser business, where the group has already announced impending plant closures, continued to lose money, though at a slightly reduced rate. Dr Rinaldo Schmitz, group finance director, said the business should return to the black this year at the operating level after the planned closure of two plants at Nordenham and Krefeld, though there would be net losses after closure costs.

Dr Albers said that although the full closure programme over the next few years would take out 1m tonnes of capacity, removal of bottlenecks at the group's two integrated plants at Ludwigshafen and Antwerp would add back 400,000 tonnes. The group intends eventually to confine its fertiliser production to those two sites.

In other areas of chemicals, the business continued to run at high volume levels, Dr Albers said, with the success of high-value engineering materials being particularly gratifying. Magnetic tapes, however, where BASF is European leader, suffered from intense competition. "We are not recording losses", Dr Albers said, "but we are only just in the black".

Dr Albers said sales in Japan, where the group has recently launched a number of projects, were close to DM 900m. Double-digit sales and volume increases were expected in the current year.

Dr Schmitz said the group was interested in obtaining a share listing in Tokyo, but had rejected the idea of a New York listing because of reporting requirements and the short-term view taken by US investors.

Dr Albers said US sales had increased in the quarter to $1.1bn. "We are told never to say never, but there is nothing large in the pipeline at present".

Takeover talks for First Interstate

By Roderick Oram in New York

FIRST Interstate Bancorp, which was rebuffed earlier this year in its attempt to acquire BankAmerica, is seeking control of Allied Bancshares of Houston. Heavy loan losses attributed to the energy industry recession plunged Allied, the seventh largest Texas bank holding company, into losses last year.

Both companies announced that they were holding preliminary talks but no formal agreement had been reached so far. The shares of Allied rose $1¾ to $10⅞ on heavy trading in the over-the-counter market, capitalising the company at about $450m.

First Interstate's shares fell $1⅞ to $54, giving it a market value of $2.5bn.

Allied reported a loss of $17.6m, or 42 cents a share for the year ended December 31, 1986, against a profit of $117.5m, or $2.86 a year earlier. It wrote off $208.1m of bad loans while its assets slipped to $9.9bn from $10.2bn.

Its difficulties are continuing this year. It reported a first quarter loss of $20.5m, or 48 cents a share, and loan write-offs of $31.6m. Analysts believe total losses could reach $35m, or 85 cents a share for the full year.

The company, which owns 58 small banks in the Houston area and eastern Texas, said recently that its fortunes depended on the local economic outlook. Thus, it was difficult to forecast when it could expect an upturn in its own financial performance. Non-performing loans account for about 6 per cent of assets.

It remains relatively well capitalised, however, with shareholder equity of $592.7m at the end of the first quarter. First Interstate is the largest multistate bank holding company in the US with some 22 banks totalling 1,080 branches in 18 states. It had total assets of $55.4bn at the end of last year.

Staff and public to share 50% holding in leading French network

Bouygues eager for TV challenge

BY PAUL BETTS IN PARIS

THE PRIVATISATION of TF-1, the leading French national television network, is expected to be completed early in July when about 7.5m shares will be offered to the public at a price ranging between FFr 200 ($33) – FFr 250 each. The TF-1 flotation is expected to follow the privatisation of Société Générale, the large state commercial bank, next month.

The public share offering to be launched around June 29 will involve 40 per cent of the capital of the French television network which has just come under management control of a consortium of private investors led by Bouygues, France's largest construction group.

Bouygues and its partners, including Mr Robert Maxwell, the British publisher, acquired last month for FFr 3bn a 50 per cent controlling stake in TF-1. But the French Government plans to sell the remaining 50 per cent stake for FFr 1.5bn to the public in general and to the network's employees. TF-1 staff will be offered 10 per cent of the network at a discount with 40 per cent being floated to the public.

Bouygues officials also indicated yesterday that they expected TF-1 to be profitable this year and that the network would pay its new shareholders a dividend. Bouygues target is to see TF-1 revenues rise to FFr 4bn in 1989 and the network's net margin to grow to 10 per cent of sales by then.

Mr Francis Bouygues, chairman of the construction group, said the TF-1 investment would help boost Bouygues total sales this year to about FFr 49bn from FFr 45.78bn last year when the group reported a consolidated net profit of FFr 481m. He said he expected group profits to continue to increase this year.

Mr Bouygues added that he was keen to develop his group's presence in the radio telephone market. This was the main reason why the construction group had taken a small stake in CGCT, the recently privatised French telecommunications concern which has come under the control of Ericsson and Matra.

Mr Bouygues confirmed that his group's offshore oil services division had lost FFr 100m last year. Losses this year in this sector were expected to be reduced. However, Bouygues officials also suggested that the group was considering the possible closure of its Glasgow UIE offshore yard in view of the slump in North Sea offshore business.

The future of the Glasgow yard depends on whether it can succeed in winning two bids for offshore platform components from Conoco and Shell against extremely fierce competition. Bouygues has already sharply reduced the permanent workforce of the Glasgow yard, which now employs about 250 people.

Mr Bouygues made clear that he regarded the group's investment in TF-1 as its major new challenge. He also warned that he would riposte against Mr Robert Hersant, the French right-wing press baron, if he persisted with his current press campaign against TF-1. Mr Hersant recently took over control with Mr Silvio Berlusconi, the Italian television entrepreneur, of the French Fifth Channel private television network and lured away some of the star variety artists of TF-1 in hostile raids.

Mr Bouygues indicated he also planned to expand his interests in broadcasting and communications, hinting that he could invest in publishing. Mr Robert Maxwell has already said he was interested in controlling a popular national daily newspaper in France. Indeed, Mr Maxwell is reported to be showing interest in possibly taking over the left-wing daily tabloid Le Matin which recently filed for bankruptcy.

Despite his recent diversification moves and acquisitions, Mr Bouygues said his group still had some FFr 4bn in liquid assets. Bouygues officials also confirmed that a number of potential buyers had approached Bouygues to acquire the group's SAUR water distribution subsidiary, offering well over FFr 1.5bn for the company which cost Bouygues barely FFr 500m. But Mr Bouygues said he had no intention either of selling the profitable water subsidiary or of seeking a bourse listing for SAUR.

Record German managment buyout

By Andrew Fisher in Frankfurt

WEST GERMANY'S largest management buy-out, worth about DM 100m ($56m) and involving the European machine tool division of Ex-Cell-O of the US, has been completed by the Hamburg-based operation of J.Henry Schroder Wagg, the UK merchant bank.

The deal is the second carried out in West Germany since it set up its DM 140m Schroder German Buy-Out Fund late last year. Its first deal was less than DM 20m and involved a cosmetics company.

Management buy-outs are still in their infancy in West Germany, although they are gaining growing attention among banks and industry. Funds for Schroders' German operation have come from US and European investors.

The buy-out of the Ex-Cell-O division from its US parent, Textron, was financed by bank borrowing and by equity from Schroder's German and UK buy-out funds.

Pharmacia earnings hit by exchange rate

BY SARA WEBB IN STOCKHOLM

PHARMACIA, the Swedish biotechnology and pharmaceuticals group, said its first quarter profits were held in check by exchange rate fluctuations, the cost of integrating recent acqusitions, and the losses incurred by LKB, the chemicals and instruments concern it took over last autumn.

However, it repeated its earlier forecast of full-year profits (after financial items) of about SKr 1bn ($160m) on sales of over SKr 6bn.

First quarter profits (after financial items) were virtually unchanged compared to last year at SKr 205m, though sales increased by 58 per cent to SKr 1.372bn, against SKr 869m in the first quarter of 1985.

The falling dollar badly affected the group, though the effects are expected to wane over the year. Sales in the ophthalmics division were seriously affected by the lower dollar, though strong sales growth in Japan and Europe helped to compensate for this and the division showed a 33 per cent increase in sales to SKr 216.4m.

Pharmacia said that LKB usually makes losses in the first part of the year because most of its public sector customers tend to make capital purchases at the end of the calendar year. However, it has intensified its efforts to integrate LKB and said that positive effects should start to show up by the end of 1987.

Pharmacia made a number of acquisitions last year which led to a fall in net interest income.

Sales in the biotechnology division increased by 64 per cent to SKr 366.5m with a strong growth in sales of the recently introduced Phastsystem for electrophoresis.

Pharmaceuticals sales increased by 102 per cent to SKr 486m, helped by the acquisition of drugs company Leo.

Turnround for Dome Petroleum

By Our Financial Staff

DOME PETROLEUM, the debt-laden Canadian energy group, yesterday reported first-quarter profits of $77m or 22 cents a share, compared with a loss of $72m or 24 cents, as creditors met in Toronto to vote on the C$5.2bn (US$3.7bn) bid from Amoco of the US.

Toronto-Dominion Bank said the official offer remained unacceptable but the bank intended to work with Amoco and Dome to negotiate an agreement that would include payment in full to secured creditors.

The bank said an increase of about 10 per cent of the purchase price would make the offer acceptable. It added that it believes Dome's unsecured creditors and shareholders have been more than fairly treated.

New twist in battle for Royale Belge

By Tim Dickson in Brussels

THE BATTLE for control of Royale Belge, took a new twist yesterday when the French company Union des Assurances de Paris (UAP) announced that it had taken a 4.6 per cent stake in Belgium's leading insurance group.

UAP's participation – made possible by the special issue of new Royale Belge shares in exchange for almost 31 per cent of UAP's *Belgian subsidiary* Urbaine UAP – appears to be part of a deal with Groupe Bruxelles Lambert (GBL) to fend off the aggressive challenge of another French insurance company, Axa.

Axa, which had declared its ambition to expand across national boundaries to take advantage of the free internal market within Europe after 1992. First displayed a serious interest in Royale Belge about a year ago. Many observers thought that GBL, which already had links with Axa, would ultimately help the French company realise its objective but the Belgian holding group's chief executive, Mr Albert Frere, has opted instead to side with the local shareholders.

With trading in the shares consistently active – they were unchanged yesterday at BFr 8,000 but turnover was particularly brisk – the up-to-date strength of the two camps is unclear. Axa is believed to have more than 30 per cent and possibly as much as 40 per cent while GBL's stake is thought to be around 25 per cent.

An analyst with Brussels stockbroker De Waay commented: "We are very close to the end of this affair. The final result should be known at the annual meeting at the end of this month."

UAP yesterday announced provisional consolidated net profits of FFr 2.2bn last year, against FFr 1.7bn in 1985, a dividend up from FFr 51 to FFr 60 in the same period.

Reduced loss shown by Sea Containers

BY KEVIN BROWN, TRANSPORT CORRESPONDENT IN LONDON

SEA CONTAINERS, the Bermuda-registered container leasing, ports and ferries group, yesterday announced first quarter losses of $12.9m or $1.67 a share, down from a deficit of $22.1m or $2.37 a year earlier.

The latest result was much as forecast. Mr James Sherwood, president, had forecast the group would improve earnings by around $10m in the first quarter.

Revenues rose from $112.4m to $121.6m. Quarterly dividends were suspended last year in a move intended to save the group around $1m per quarter.

Sea Containers lost $49.8m or $6.28 per share last year following major losses in container leasing and ferry operations. Mr Sherwood says in the annual report, however, that both divisions are expected to report improved results in the current year.

In the container division, which suffered from poor rates and widespread customer defaults, overheads have been cut, loss-making services discontinued, older units removed and equipment ordering moderated, he says.

"The result has been a strong upward trend in utilisation, reduction in operating expense, and increase in net yields, which augurs well for our earnings in 1987."

Mr Sherwood says the group's fleet of 12 container ships is fully employed at improved rates, and losses should be sharply reduced.

The Sealink ferry operation should benefit from a decline in fuel costs in sterling terms, and should report improved operating profits, he says.

Sealink, which was acquired from the British Government in 1984, spent or provided $32m for severance pay in 1986, and incurred strike and route withdrawal costs of $11.7m, principally on the loss-making Channel Island services.

"In retrospect, I think the strike will have some enduring benefits. The new management will be more skilled in dealing with its workforce to resolve difficult problems, and the workforce has already shown its increased willingness to address basic competitive issues by accepting revised work practices and reduced manning," Mr Sherwood says.

Stefanel sees its profit more than doubled

BY ALAN FRIEDMAN IN MILAN

STEFANEL, the Italian casual clothes producer which is a smaller scale version of the Benetton success story, more than doubled its 1986 net profit, to L27.5bn($21.2m). At the consolidated group level, the result was marginally higher.

The company, which with 1986 consolidated group revenues of L172.2bn ($132.9m) is about one-sixth the size of Benetton, is owned by the Stefanel family. It was founded in 1959.

Stefanel is planning to float around 25 per cent of its shares on the Milan bourse during the next few months. The board was finalising details of the offer yesterday. A substantial portion is likely to be offered to investors outside Italy.

Stefanel has around 550 franchised outlets in Italy and a further 150 abroad. The company is forecasting a 1987 group net profit of around L36bn on sales of L220bn.

The company employs 467 full-time staff and most of its work on sweaters, jeans and other casual wear is farmed out to around 2,000 outside pieceworkers. This manufacturing method, the overall franchising strategy and even the plan to come to the stockmarket are all similar to the pattern already established by Benetton. The difference, the clothing manufacturer claims, is that it aspires to add more of a fashion touch to its products.

Dazzling UK debut for Sock Shop

By Alice Rawsthorn in London

SHAREHOLDERS in Sock Shop International, the UK specialist retailing group, more than doubled their money yesterday when the shares began trading on the stock market by sailing to one of the highest premiums the market has ever seen.

At the start of the day Sock Shop's shares began dealings at 205p ($3.40) compared with the original offer price of 125p. In frenetic trading the shares rose to a peak of 290p, eventually settling down to end the day at 257p. The group is now capitalised at £56.5m.

Although small companies like Sock Shop, in which the supply of shares is limited, often attain healthy premiums on the first day of dealings, an increase of 106 per cent is unusually high. Sock Shop can claim the highest premium of any new issue this year.

Ms Sophie Mirman, the company's chairman and joint managing director, said that she was "ecstatic" about the market's reaction to Sock Shop. "We had hoped for an opening price of 150p or, being very optimistic, 175p," she said. "But the stock market seems to have gone crazy in recent weeks and we went public at a very exciting time."

Sock Shop's prospects were undoubtedly boosted by the buoyant mood of the stock market. The FT-SE 100 Index rose by 16.6 to 2,180 yesterday. But the company has also benefited from investors' enthusiasm for small, young "niche" stocks.

In the last four years, Sock Shop has established a national network of 43 shops selling socks, tights and stockings in bright colours and jolly designs. Yet its passage to the Unlisted Securities Market has been far from easy. In 1983 when Ms Mirman and Mr Richard Ross, her husband and joint managing director, attempted to raise launch capital, they could not persuade anyone in the City of London to invest £40,000 in a 49 per cent stake in Sock Shop. That investment would now be worth £27.7m.

INTL. COMPANIES AND FINANCE

Latina's profit up 57%

By Alan Friedman in Milan

LATINA, the Italian insurance group controlled by Mr Carlo De Benedetti's Cofide holding company, yesterday announced a 57 per cent jump in its 1986 net profit, to L20.4bn ($15.7m).

Latina, which last year took control of Ausonia, another insurer quoted on the Milan bourse, achieved an 11 per cent rise in its 1986 premium income to L211.3bn. When Ausonia's 1986 premium income is added to Latina's accounts, the total comes to L431bn.

Mr De Benedetti has been keen to build up his insurance interests, and was pipped at the post in his recent attempt to acquire Intercontinentale, a sizeable insurer which was eventually taken over by Gemina, the holding company chaired by Mr Cesare Romiti, managing director of Fiat.

Cofide, meanwhile, is understood to be in negotiations to acquire Norditalia, another medium-sized northern Italian insurance company.

FCA discusses HF merger

BY OUR FINANCIAL STAFF

FINANCIAL Corporation of America, the major US savings and loans group, has been discussing the possibility of a takeover by HF Holdings, a company formed by Mr William Simon, a former US Treasury Secretary and Mr Preston Martin, former Federal Reserve Board vice-chairman.

The two companies have held talks on the possibility of such a transaction, FCA said. The S & L group has held discussions with a total of six companies, and described the HF Holdings talks as "very preliminary."

HF Holdings, formed last June, has already purchased World Trade Bancorp of Beverly Hills, Honolulu Federal Savings and Loan and Southern California Savings and Loan, also of Beverly Hills.

FCA stressed that, although it would welcome outside capital, a buyout was not necessary to save the company, which has been attempting to return to financial stability since 1984 and still has an estimated $2.5bn of problem loans

Late last March, FCA said that it held preliminary talks with unidentified parties concerning a possible acquisition of the company. Parent of American Savings & Loan Association, the company has said on a number of occasions that it would give serious consideration to a merger as a means of rapidly improving its capital position.

Sharp decline in quarter for Gulf Canada

By Bernard Simon in Toronto

GULF CANADA, the resources group controlled by Toronto-based property developer Olympia & York suffered a sharp decline in first quarter earnings to C$90m ($67m) or 39 cents a share, from C$166m, or 81 cents a share, in 1986.

The drop was due to a large contribution to earnings last year from asset disposals. Excluding discontinued operations, first quarter income rose slightly from C$89m to C$91m. The 1986 results from continuing businesses included an extraordinary gain of C$74m, also from the sale of assets. Revenues were unchanged at slightly over C$1bn.

Gulf Canada has been transformed since O&Y bought control of the company from Chevron of San Francisco in August 1985. From being an integrated oil and gas company, Gulf's interests now centre on "upstream" oil and gas production and a controlling stake in the forest products group Abitibi-Price. Gulf also has a 49 per cent interest in Hiram Walker spirits, which is controlled by the British food and drinks group Allied-Lyons.

ACEC selling Portugal stake

By Tim Dickson in Brussels

ACEC, the Belgian electrical and electronic engineering company which is one of the country's oldest industrial businesses, has announced that it intends to reduce its 51 per cent stake in the Portuguese company EFACEC to 10 per cent by means of a public sale.

EFACEC, which specialise in the manufacture of electromechanical materials, has a turnover of roughly BFr 3bn ($8m) and net profits after tax of around BFr 125m.

Novo earnings steady

BY HILARY BARNES IN COPENHAGEN

PRE-TAX earnings by Novo, the pharmaceuticals and enzyme manufacturing group, showed little change in the first quarter, increasing from DKr 186m ($27.7m) last year to DKr 190m. The 1987 figure includes Ferrosan, the Danish pharmaceuticals group acquired by Novo in the first year.

Novo's statement does not reveal what Ferrosan's contribution to earnings was, but it states that its contribution in the first quarter was more than can be expected for the whole year. Group sales were up by 19 per cent from DKr 1.01bn to DKr 1.21bn. Ferrosan accounted for 16 percentage points of this increase.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

SFr 125m issue for US financial group withdrawn

BY CLARE PEARSON

SWISS BANK Corporation puzzled the Swiss franc foreign bond market yesterday by withdrawing a SFr 125m public issue announced three weeks ago for Primerica, the Connecticut-based financial services company which recently changed its name from American Can.

The issue was understood to have met a firm initial response from most underwriters, although Credit Suisse, normally a syndicate member in Swiss Bank's public bond issues, declined to join the group.

Swiss Bank said the withdrawal was at the company's request, and Primerica said it had taken the decision for "various business reasons."

Dealers speculated that it might have been prompted by the company's change of name, approved by shareholders a few days after the bond was launched, and that it might have encountered legal problems.

Another theory was that the terms of the 5 per cent eight-year bond might have looked expensive after the launch of a subsequent deal for Hydro-Quebec on identical terms but for 15 years.

Swiss franc bonds ended the day with prices slightly higher but in continued low volume. Hydro Quebec's SFr 200m bond closed its second day's trading at 101, compared with a par issue price.

Equity warrants bonds for Japanese companies formed the centre of attention in the Eurobond market, as seasoned issues firmed in response to recent gains in the Tokyo stock market. But dealers said that most of the buying, which continued selective, was coming from Japan rather than Europe.

Among recent issues, a $100m deal for Sapporo Breweries was the firm favourite, trading as high as 112½ bid even after its coupon had been cut by ¼ per cent from its indicated level to 1¾ per cent.

INTERNATIONAL BONDS

Nikko Securities launched a $50m five-year equity warrants deal for Unicharm, the nappies and toiletries company, with an indicated 2 per cent coupon. It was quoted at 102 bid, although some dealers said they had seen little demand.

New Japan Securities Europe led a $25m five-year bond with an indicated 2¼ per cent coupon for S.T. Chemical, the insecticide company. This was quoted at 98½ offered.

The only other new issues that emerged was an A$50m five-year bond for Ford Motor Credit Australia led by Hambros Bank. Priced at 101¾, this was quoted at less 1¾ bid, compared with 2 per cent fees.

The lead-manager said the bond's 14 per cent coupon would not have been possible if the issue had been swapped. Dealers said investors' awareness that coupons on swapped issues of this maturity were likely to be pushed below this level from now, because of falling interest rates in Australia, had contributed to the bond's success.

Seasoned Australian dollar issues continued to trade firmly following the Australian mini-budget on Wednesday, which was seen as positive for the market, in spite of the release of worse-than-expected April balance of payments figures yesterday.

Longer dated D-mark bonds came under pressure during the morning but later firmed slightly, helped by an easier dollar.

Prices of Eurodollar bonds were unchanged in low turnover, apparently unaffected by slightly disappointing US trade figures.

Creditanstalt-Bankverein led a Sch 1.8bn 6¾ per cent eight-year bond for Austria, which was mainly being placed abroad.

● The Japanese Ministry of Finance has lifted a ban on the issuance of four-year Euroyen bonds by non-residents. The Italian Government has become the first non-resident borrower to float such bonds, Our Tokyo Staff reports.

The MoF has hitherto limited the minimum maturity for Euroyen bonds, whether issued by residents or non-residents, to five years. By shortening the minimum maturity to four years for non-residents, the MoF hopes to encourage the market.

Italy is offering Y30bn worth of bonds, carrying a coupon of 4.125, to be issued at 101.625 per par.

IPMA puts case against prospectus to Brussels

By Our Euromarkets Staff

Representatives of the International Primary Market Association, the trade body for the Eurobond new issues market, will present their case in Brussels today for far-reaching changes to a European Community draft directive on prospectuses, which they believe in its present form will disrupt the new issues market.

The delegation will step up the Euromarket's pressure for changes to the directive, due to go before the permanent representatives next week. The opposition is already being channelled through Britain's Department of Trade and Industry and other bodies in the UK and Europe.

In a lengthy memorandum circulated yesterday, IPMA said: "There is a real concern that if the directive were adopted in anything like its present form, a significant part of (Euromarkets) business could move to other capital markets such as those in Switzerland, the Far East and North America."

Bankers are chiefly worried about the registration provisions contained in the directive, requiring a prospectus to be approved by a "competent authority" in a member state before any sales of a security are made. They say this would be impracticable for Eurobonds, which depend on rapid distribution.

Although the draft does include an exemption for Eurobonds, it does not clearly define them. IPMA also argues that the exemption should be extended to cover all Euro-securities, including Euro-equities, Euro-commercial paper, and medium- and short-term Euronotes.

IPMA said basic concepts on which the directive is premised are poorly expressed. In particular, the definition of "offers for sale" make it hard to distinguish between issues initially sold to the public and those distributed between professionals.

Bank rush into securities business 'may be ending'

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE RUSH by international banks into securities markets business may be ending, the Bank of England said yesterday.

Reviewing last year's developments in international banking and capital markets in its quarterly bulletin, the Bank said the pace of innovation in international capital markets has slowed and some of the problems of securitisation have been exposed.

"It seems possible that the international capital markets are now nearing the end of a period of transition," the Bank said. During the 1980s demand for new securities instruments had been created by changes in international financial flows caused by debt problems, falling oil prices and payments imbalances.

Banks had consequently realigned their business towards securities markets. The Bank noted, however, that "by early 1987 there were signs that some firms were reappraising their role in the securities markets."

A number had withdrawn from individual sectors in the face of fierce competition and, in some cases, trading losses.

Few new Euromarket instruments emerged last year, the Bank said. Though two—Euro-medium-term notes and asset-backed Eurobonds—have significant growth prospects, other innovations were specifically designed to exploit tax or accounting rules, especially applying to Japanese investors.

Meanwhile, the collapse of the perpetual floating rate note market "illustrated some of the problems that can arise when credit flows are channelled through securities markets."

After investors had been attracted by relatively high yields and liquidity, competition between lead managers drove yield spreads down. When investors wanted to sell, the market was unable to absorb the volume, causing the temporary cessation of trading in December.

"Although the importance of this episode should not be exaggerated, it illustrates the risk that the liquidity of marketable instruments may turn out to be not as great as it appears."

The Bank also pointed to the rising number of Eurobonds which have run into debt servicing problems. In the 20 years up to 1984, $800m of Eurobonds were estimated to have run into servicing troubles out of $550bn issued. But last year alone, over $500m became subject to restructuring.

These included three Chilean floating rate notes and bonds issued by Dome Petroleum, the Canadian energy group. "These cases demonstrated that restructuring bonds is considerably more complicated and costly than restructuring bank loans."

Among other developments noted by the Bank last year were the increasingly sophisticated use of the international markets by borrowers in developed countries, the sharp rise in issues and redemptions of fixed rate bonds amid falling interest rates, the doubling in size of the interest rate and currency swap markets, and the rise in international equity and equity-linked issues.

Bank lending rose sharply and was dominated by inter-bank flows, particularly among Japanese banks, while Japanese firms also increased their role in managing international bond issues.

Japanese investors bought a net $95bn of international bonds and $7bn of foreign equities last year, while Japanese borrowers raised a net $27.8bn abroad in bonds and $22.8bn from banks, as well as arranging Euronote facilities of $10.6bn.

Japanese banks in the UK held $21.6bn in floating rate notes at the end of January out of total holdings by banks in the UK of $35.7bn. The Bank said the decline of the FRN market suggested a diminishing desire on the part of banks to increase their holdings, since it was clearly difficult to make a profit by holding them given their fine terms.

Meanwhile, the debt problems of developing countries overshadowed financial markets, with a continuing absence of voluntary lending to problem debtors. The Bank estimated that $4bn of Third World debt had been converted into equity under official schemes, but it said "although helpful, it is unlikely that these approaches will make significant inroads into outstanding debt."

Japanese to join Warburg as director

By Carla Rapoport in Tokyo

S. G. WARBURG, the UK merchant bank, surprised the Japanese financial community yesterday with the announcement that a director of Bank of Tokyo, one of Japan's leading city banks, is to become a director of Warburg Securities in London and head of the bank's Tokyo affiliate.

Mr Kiyoshi Tsugawa, 53, will join Warburg's Tokyo branch early next month as president, a title currently held by Lord Roll. The appointment is widely believed to be the first in which a member of the board of a top Japanese bank has quit to join a foreign merchant bank.

Mr Tsugawa yesterday admitted that the move was a highly unusual one in Japan, where top executives generally stay with their companies until retirement. However, he pointed out that since joining Bank of Tokyo more than 30 years ago, he has lived abroad for more than 13 years.

"I've been quite exposed to international business, including the securities business," he said yesterday. "In the wake of the further development of the capital markets in Japan and the increasing importance of Japan in world markets, I think this is a good move. I am positive about it."

Mr Tsugawa dismissed the possibility that his move is the first step toward wider links between Bank of Tokyo and Warburg. "Warburg has a lot of clients in Japan and stronger ties with Bank of Tokyo could upset those other relationships," he said.

A graduate of the University of Tokyo, Mr Tsugawa has worked for Bank of Tokyo in New York, Milan and London. He was appointed to the board of Bank of Tokyo in 1985 and has been in charge of the Bank's international Capital market activities, including the domestic, Euroyen and US dollar credit markets.

Raymond Ind result

RAYMOND INDUSTRIAL, the Hong Kong group, posted an audited after-tax profit of HK$12.7m (US$1.6m) for the 17-month fiscal year ended in December 1986, reports AP-DJ from Hong Kong.

American Barrick among equity launches

BY OUR EUROMARKETS CORRESPONDENT

THREE ISSUES emerged in the rapidly growing international equity market yesterday, writes Clare Pearson.

Merrill Lynch Capital Markets led the C$25.5m international tranches of a C$51m issue of partly-paid shares for American Barrick, the Canadian mining company. Of the C$51 instalment receipts, C$25 is now due, and the balance within a year.

Additionally, Merrill announced an issue of 400,000 shares in Morgan Products, a US building products company, which is also offering 1.2m shares in the domestic market. The deal will be priced at around the end of the month. Morgan Product's shares were quoted yesterday at $25½.

S.G. Warburg Securities led a DM 34.99m issue of bearer shares in GEHE, a German pharmaceutical wholesaler. The shares, being sold at DM 238 each, are being acquired from Franz Haniel, the German privately owned trading company, reducing its stake from 71.75 to 57 per cent.

MoF finalises commercial paper draft

BY YOKO SHIBATA IN TOKYO

THE JAPANESE Ministry of Finance has submitted for consideration by experts a final draft of its plans for the introduction of commercial paper in Japan, which is expected to become a vital means of raising short-term funds.

The draft defines CP as a promissory note, to be handled by both financial institutions and securities houses. It calls for setting maturities of between 30 days and six months, with a minimum face value at Y100m.

Eligible issuers of CP will be those which can meet the requirements for floating unsecured straight corporate bonds, now numbering about 170, as well as the nine electric power companies and Nippon Telephone and Telegraph.

The CP Conference, an advisory panel to the directors-general of the MoF's banking and securities bureaux, termed the proposed structure for the CP market "appropriate," but noted the need to review it a year after its establishment. The expectation is that the market will then switch to using a rating system.

The MoF will straighten out final details after obtaining approval of the draft from the Committee for Research into the Financial System and the Securities and Exchange Council, both advisory bodies to the Minister of Finance. If all goes well, the first CP will be issued this autumn.

The ministry is considering allowing non-residents to issue domestic CP as soon as the eligibility requirements ish ifted to a ratings-based system.

Medium-term notes for Dutch insurer

By Our Euromarkets Editor

NATIONALE - NEDERLANDEN, the Dutch insurance company, has become the latest borrower to announce a programme of Euro-medium-term notes — securities continuously offered like commercial paper but for maturities above one year.

S. G. Warburg has arranged the programme, and other dealers are First National Bank of Chicago, Morgan Stanley International and Swiss Bank Corporation International.

The Euro-MTN market has been developing slowly since it was launched last year. Although a number of borrowers have announced programmes, including General Motors Acceptance Corporation, very few have issued in significant quantities. PepsiCo, with over $300m outstanding, remains the only large issuer.

Bankers say the market has been hampered by the general lack of enthusiasm for dollar investments and by the complexity of arranging programmes, which usually must be registered with the US Securities and Exchange Commission.

Many remain convinced, however, that a solid investor base will develop in the one-to-three year area, both among Eurocommercial paper buyers wanting to extend maturities and among investors in Eurobonds, since shorter maturity bonds are rare. Both investors and borrowers like the flexibility afforded by the MTN structure.

Separately, Swiss Bank Corporation International is arranging a $300m five-year credit facility for Lincoln National, an Indiana-based insurance company. It has a commitment fee of 8 basis points, a margin above London interbank offered rates of 18.75 basis points, and a utilisation fee of 5 basis points if it is over 50 per cent drawn.

SBCI has increased a facility for Australia's Pioneer Concrete Services from $200m to $250m.

Also, Scottish and Newcastle Breweries has arranged a $30m, ten-year multiple option facility through Chemical Bank International, with a 6.25 basis point facility fee, a margin of 12.5 basis points over Libor, and a utilisation fee of five basis points above 30 per cent usage.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on May 14.

[illegible]

INTERNATIONAL COMPANIES and FINANCE

US side boosts News Corporation

By Bruce Jacques in Sydney

NEWS CORPORATION the big media group controlled by Mr Rupert Murdoch lifted equity account profit sharply for the nine months ended March boosting the return from A$142m to A$228.7m (US$162.9m). Turnover rose from A$2.72bn to A$3.92bn.

The company, headquartered in Adelaide, played a pivotal role in restructuring the Australian media industry in the period by taking over The Herald and Weekly Times and selling its lucrative Ten Network television interests centred around Sydney and Melbourne.

News, which has large interests in the UK and the US, also sold much of the electronic assets of The Herald and spawned new independent media groups. Published results showed that the bulk of the earnings increase came from the US where profits jumped from A$104.6m to A$215.6m.

Earnings from the UK rose from A$165.4m to A$198.4m and Australian operations contributed A$66.3m against A$51.9m previously. The result excluded foreign exchange trading gains of A$32.9m against A$67.22m and an extraordinary profit of A$4.6m against A$3.8m.

British publishing operations continued to trade satisfactorily despite an advertising market that performed below expectations, the company said.

The Sun, News of the World and the Sunday Times newspapers posted good profit improvements, but Sky Channel was "very disappointing."

State tightens grip on San Miguel

BY RICHARD GOURLAY IN MANILA

THE PHILIPPINES Government yesterday consolidated its control of San Miguel, the country's beer and consumer goods based group, by electing a majority of the company's directors using 51 per cent of the shares which it sequestered last April.

The decision leaves the Bond Corporation of Australia's offer to buy 13 per cent of the government-held shares as dependent on the Government and the Philippine courts, as it was before yesterday's shareholder meeting.

The rapidly expanding Perth-based group offered to buy 13 per cent of the sequestered San Miguel shares as part of a management-sponsored scheme in April, but the Government refused to approve the deal.

The Government, through the Presidential Commission on Good Government (PCGG), raised the number of directors it elected from six to nine, leaving six directors supporting the management team led by Mr Andres Soriano.

However, the PCGG re-elected to the post of chairman Mr Soriano, the son of the company's founder, who the Government claims has been trying to regain control of the company for a year. The PCGG has challenged Mr Soriano's methods for achieving this, but earlier this week promised not to interfere in the company's day-to-day management.

The emotional meeting at which many shareholders wore lapel badges telling the Government to keep out of business, failed to resolve who will ultimately control San Miguel. The beer-based giant is the largest Philippine company not controlled by the Government, employing more than 18,000 people.

The case has attracted attention among potential investors anxious to see how seriously the Government is exercising its avowed desire to stay out of business. President Corazon Aquino formed the PCGG last year in order to track down the assets allegedly stolen by former President Ferdinand Marcos during the 20 years he was in power up to February 1986.

San Miguel has widely criticised the commission for going beyond its brief in this case and influencing the operations of an independent corporation.

However, despite a public relations barrage painting the company as the victim of government expansionism, San Miguel, and in particular Mr Soriano, have failed to answer specific points on which the PCGG has based its opposition to the management's share disposal deal.

Last April the PCGG sequestered over half the company, suspecting that the proceeds of a proposed buy-back of 33.1m shares by Mr Soriano would end up in the hands of a renowned business crony of Mr Marcos.

Later, the PCGG claims, it discovered that Mr Soriano planned to sell San Miguel's group's Hong Kong brewery and use the proceeds of the sale for the share buy-back from which he alone would have benefited at the expense of the small shareholders.

Mr Soriano and San Miguel deny this charge, but have so far failed to explain away documentary evidence produced by the PCGG showing that this is the case.

Setback for Westpac Banking

BY OUR SYDNEY CORRESPONDENT

WESTPAC Banking Corporation, Australia's largest private banking group, has had first-half profits crimped by heavier bad debts and an increasingly competitive financial environment.

The company reported an 8 per cent fall from A$196.11m to A$180.37m in net profits for the six months ended March. It is to pay an unchanged interim dividend of 14 cents a share.

Bad and doubtful debt funding charges rose from A$86.29m to A$138.06m and the company was also hit by a lower contribution from its 76.8 per cent-owned finance subsidiary, Australian Guarantee Corporation.

Profit from the company's traditional profit powerhouse, trading banking, slid by 3.5 per cent to A$111m and savings bank operations were down by 5.5 per cent to A$21.8m.

The company paid tax of A$180.37m, down from A$196.1m previously. Depreciation totalled A$68.3m against A$58.9m.

The banking group said the spread and mix of business had allowed profitability of its offshore divisions to be maintained. At the same time the Americas had produced a "strong performance" flowing from rises in net interest margins and fee income.

Tongaat-Hulett pays more as earnings rise

By Our Johannesburg Correspondent

TONGAAT-HULETT, the diversified sugar, food, textiles and aluminium processing group which is the Anglo American group's principal Natal subsidiary, lifted turnover and profits in the year ended March 1987 following a resumption of profits by the textiles and industrial divisions and despite lower profits from sugar.

Turnover rose to R2.14bn ($1.07bn) from R1.85bn. Trading profit before interest and tax was R177.2m against R136m and the pre-tax profit rose even more sharply to R106.9m from R87m.

The food, starches and aluminium divisions increased their contributions to profits.

Earnings per share have increased to 32.5 cents from 24.4 cents, which is allowing dividend Tongaat to push up its to 34 cents from the 12 cents paid for 1985-86.

Growth at Mitsui Real Estate

BY YOKO SHIBATA IN TOKYO

A BOOMING condominium market helped Mitsui Real Estate Development, the largest Japanese property company, score double-digit gains in sales and profits in the year to March.

Pre-tax profits advanced by 25 per cent to Y30.32bn ($216.5m) and net profits rose 30.1 per cent to Y15.26bn, on turnover of Y320.71bn, up 15 per cent from the previous year.

The final dividend is to be raised by Y0.5 to Y4.5 a share to make a total of Y8.5 for the year.

For the current fiscal year, Mitsui Real Estate projects pre-tax profits of Y35bn, up 15 per cent, with net profits at Y17bn, up 11 per cent. on turnover of Y375bn, up 19 per cent.

The annual dividend is expected to be raised by another 0.5 per cent to Y9 a share.

Amcoal forecasts further sharp decline in profits

BY JIM JONES IN JOHANNESBURG

ANGLO AMERICAN COAL CORPORATION (Amcoal) South Africa's largest coal mining group, increased sales by almost 10 per cent in the year to March 31 but suffered a sharp profit decline and expects substantially lower sales revenues and profits during the current year.

Sales rose to 40.9m tonnes in the last financial year from the previous year's 37.3m tonnes. Turnover increased to R1.18bn ($US590m) from R1.08bn but operating profit before amortisation, depreciation and tax dropped to R455.4m from R491.1m and pre-tax profit fell to R417.7m from R455.8m.

The directors say the increase in sales was largely due to greater deliveries to Escom, the state-owned electricity utility. Morethan 60 per cent of the groups sales are made to Escom by collieries dedicated to individual power stations.

Coal export revenues suffered from lower dollar prices on export markets and the stronger rand dollar exchange rate. The South African coal industry's exports surged in the latter part of 1986 and early in 1987 as exporters attempted both to beat the raising of sanctions barriers by the US and some European countries and to move coal before higher rail tariffs were introduced on April 1

Plans to expand the Richards Bay export terminal have been shelved for the present as the industry fears export volumes are set to decline this year.

Earnings dropped to 781.1 cents a share from 832.4 cents, and the year's dividend was maintained at 240 cents. The directors expect the dividend to be maintained again this year.

Amcoal is part of Anglo American Corporation, South Africa's largest mining and industrial group.

UK COMPANY NEWS

Holmes a Court sells 20% stake in Morgan

By Terry Povey

MR Robert Holmes à Court's Bell Group has sold its entre 19.5 per cent holding in Morgan Crucible after 18 months of doubt as to whether the stake was a passive investment or a bid platform for the Australian financier.

The 18.73m shares were placed with institutions yesterday at 333p through a £62m bought deal put together by brokers Warburg Securities and Cazenove. After news of the deal the material technology group's shares fell 16p at 351p.

Commenting after the sale, Mr Graham Swetman, Morgan Crucible's finance director, said "we are delighted at the confidence shown in us by the institutions involved in the placing and pleased that the Bell saga has come to an end."

Bell owns 7% of Peachey

Bell Group International of Australia, controlled by Mr Robert Holmes à Court, yesterday declared that it owned 7.2 per cent of Peach Projerty, recently the subject of bid speculation on t he market.

The stake, of 2.5m shares worth £10.87m at yesterday's closing price, is assumed to be that once held by Real Property and Finance, a subsidiary of British Land.

British Land does not know who eventually bought its 7.2 per cent stake in Peachey, but it was sold last Friday, a day when the Peachey share price jumped 47p to 425p. British Land initially built up its holding in February at a price probably around 325p a share.

The disclosure by Bell has fomented conjecture that Peachey will sooner or later be the subject of an offer and this has been reflected in its share price movements over the last two days, when falls early in the week were wiped out.

Yesterday the price rose 10p to 435p, after a climb of 11p on Wednesday.

Bell is now the largest single shareholder in Peachey. Other major holders are the Imperial Chemicals Staff Pension Fund with 5.14 per cent, and Clerical Medical and General Life Assurance with 6.1 per cent.

S. JEROME: Mr Alan Jerome, chairman, told the agm that confidence indicated in his annual statement was well founded. Sales in the first four months of current year were ahead of the equivalent period. Order input in textile divisions had continued at an encouraging rate and orders on hand at end April were significantly ahead of the level at thesame point in 1986. The weaving expansion programme had been accelerated and Mr Jerome said he looked forward to another very successful year and the achievement of further record profits.

ISSUE NEWS

BY RICHARD TOMKINS

Computer People makes first mini-offer for sale

Computer People, Britain's biggest computer staff agency, today becomes the first company to come to the London stock market through a mini offer for sale—a cross between a placing and a full offer.

Some 30 per cent of the company's enlarged equity is being floated off at 230p a share, Half of it is being placed with institutional investors and half is being made available to the public as in a normal offer for sale.

Altogether, 3.39m shares are to be placed and offered at 230p each, putting a value of £26.2m on the company. Hill Samuel is sponsoring the issue and Wood Mackenzie is the stockbroker.

Computer People supplies specialist staff to computer users, usually on a long-term temporary basis. A third of its business is in the US.

The prospectus shows how pre-tax profits have grown from £196,000 in 1982 to £1.73m in the year to last December. The company is not making a profits forecast, so it is coming to the market on an historic price/earnings ratio of 20.4.

Half the shares are being sold by existing shareholders and half are being issued by the company. The flotation costs are unusually high at £1.2m, but Hill Samuel says this is because of the expense of reorganising the group prior to the flotation.

● **comment**

Computer People's offer-cum-placing may succeed in cutting out the big league stags but seems fated to disappoint smaller public applicants with tiny allocations. The response is likely to be strong, for if Computer People has turned out to be a mite more highly priced than seemed probable a few weeks ago, its advisers were doubtless influenced by the sigh of Select Appointments' shares rising to a premium of nearly 70 per cent after their flotation on an historic price/earnings multiple of 20 last month. Prospectively, too, Computer People's price does not look so outrageous: the sterling/dollar exchange rate may not be smiling on US profits, but with consultants on assignment already running 25 per cent higher than last year and greater productivity coming through from the sales force, a pre-tax profit of £2.4m does not look out of reach. That produces a prospective multiple of 16—a reasonable enough figure for a well-established specialist operator in this fast-growing sector of the market.

Chemoxy value set at £5.35m for full float

Chemoxy International, a Teesside-based processor of speciality chemicals, is to become one of the smallest recent entrants to the main market with a flotation which will value it at £5.35m.

De Zoete & Bevan, the stockbroker, is placing 1.05m shares—some 36 per cent of the total equity—at 185p each. Slightly more than 60 per cent of the shares are being issued by the company, with the rest being sold by existing shareholders.

Chemoxy is the product of a £450,000 management buy-out from Carless Capel & Leonard, the quoted oil exploration company in 1984.

Practical Investment for market with £16.6m value

Practical Investment, an investment trust company, is being floated on the stock market through a placing by brokers Scrimgeour Vickers which will value it at £16.6m. A total of 6.79m shares are being placed at 83p each.

The company's main business is investing in investment trusts. Its present portfolio consists of 10 investments comprising the capital shares of investment trusts, unit trusts and a holding in M & G, the fund management group.

Of the shares being issued, 6.29m are new shares and 495,000 are being sold by existing shareholders. The flotation will raise £4.9m after expenses, which will enable the company to expand its portfolio.

After the listing, the directors intend to put greater emphasis on international investment. The company will also seek to become an approved investment trust, which will give it advantageous tax treatment.

The prospectus shows that the trust's net assets per share have risen by 275 per cent from December 7 1982 to February 28, 1987, compared with a 159 per cent rise in the FT-Actuaries All-Share index over the same period and 176 per cent for the FTA Investment Trust index.

Pickwick's paper gets £27.42m tag

Pickwick, the record, cassette and compact disc company being floated on the stock market, today publishes the prospectus for its offer for sale.

N. M. Rothschild is selling 6.76m shares at 125p each, valuing the company at £27.42m. The shares are being sold on a multiple of 16.3 times forecast earnings for the year to December 1987.

Pickwick's traditional business is producing low-price pop and classical records and cassettes, but it has recently started to use its distribution network for pre-recorded video casettes, children's book-and-cassette packages, and compact discs.

The prospectus shows how this has led to a sharp increase in pre-tax profits from £618,000 in 1985 to £1.6m last year, and the company is forecasting at least £2.6m for this year.

Pickwick is only the third company this year to have opted for an offer for sale when it could have chosen a placing: the others were Capital Radio and Sock Shop. It says the offer method will produca more publicity and a wider shareholding base.

Of the £8.45m proceeds, nearly £4.7m will go to existing shareholders and about £3.5m net to the company. Some £2.88m of the company's proceeds will be used to buy out the redeemable share capital issued when a consortium of City investors took a 50 per cent stake in 1986.

● **comment**

Pickwick may sound like a record company, but repackaged collections of Mantovani and Johnny Mathis hits are a commodity product relatively insensitive to the whims of fashion, for better or for worse. The real key to the company's current prosperity lies not in its products but in its distribution network, which gives it outlets in every high street in Britain. The profits record for much of the past five years is unimpressive, but the figures for 1986 and the forecast for 1987 result from th company's recognition of the network's potential and the start of its drive to put new products through it. The company is at an early stage of this latest phase of development, which suggests that there is scope for short-to-medium term. Pickwick's shares, unlike its products, are not cut-price on a prospective price / earnings multiple of 16.3, but the rating will be justified if the forecast proves conservative and the earnings growth is maintained next year. Small investor enthusiasm for the offer seems assured in the wake of Rolls-Royce, so the level of oversubscription should make it a bit even if the ensuing premium is relatively modest.

BOARD MEETINGS

TODAY

Finals:—Mclellan (P & W), Rover Group, Yorkclyde.

FUTURE DATES

Interims:—

Avon Rubber	May 20
PR Group	Jun 11
PR Group	Jun 11
Hunslet (Holdings)	May 22
Int. Thomson Org.	May 20
Radio Clyde	May 28
Sedgwick Group	May 22
Smart (J.) & Co. (Contrctrs.)	May 28

Finals:—

Allied Irish Banks	May 20
Borthwicks	Jun 1
Chancery Secs.	Jun 11
Meyer Intl.	Jun 16
Murray Technology Invests.	May 28
Sainsbury (J.)	May 19
TR Technology Inv. Trust	May 18
Unitycorp Trust	May 20

Levy limits Grampian TV

GROWTH IN pre-tax profits at Grampian Television was held back by a substantial rise in the Exchequer Levy. Befor levy, profits were 23 per cent higher but the pre-tax figure was only 6 per cent ahead at £1.77m against £1.66m.

And Sir Iain Tennant, chairman, warned that the results for the first half of the present year were unlikely to be encouraging. But he added that, as usual, the second half would attract the greater proportion of the companys revenue and, "hopefully, the full year results would show a modest improvement on that of the year under review."

The shares of Grampian, which is the IBA contractor for the north of Scotland, fell by 14p to 85p.

Directors said that the rise in the levy from a credit last time of £11,000 to a payment of £266,000 was the result of allowances for overseas sales of the Oil programme taking effect in the previous financial year.

Turnover for the year to the end of February 1987 was £19.25m (£17.75m). The tax charge was £715,000 (£723,000) to give earnings per 10p ordinary and A non-voting shares of 7.78p (6.94p). A final of 1.87p (1.57p) is proposed making a total for the year of 2.3p against 2p last time.

ICELAND FROZEN FOODS: Mr Malcolm Walker, chairman and chief executive, told a AGM that turnover so far this year was showing substantial uplift. He was confident overall performance for 1987 would show significant increase.

MEYER INTERNATIONAL has acquired three separate privately owned timber wholesaling and merchanting businesses in Australia for a total of $6.5m (£2.4m) cash. Net assets were valued at $4.5m. Aggregate annual turnover of the businesses on acquisition was $17.5m.

LONDON ATLANTIC Investment Trust: Net asset value at March 31, 1987 was 336.3p (255.3p). Earnings per share were 7.52p (6.95p). A final dividend of 5.15p makes 7.25p (6.7p). Profit before tax was £1.21m (£1.19m). Tax took £854,000 (£399,000).

THAMES

THAMES TELEVISION PLC

"We have succeeded in producing a result which reflects a solid improvement in Thames's core business."

Hugh Dundas, Chairman

SUMMARY OF RESULTS

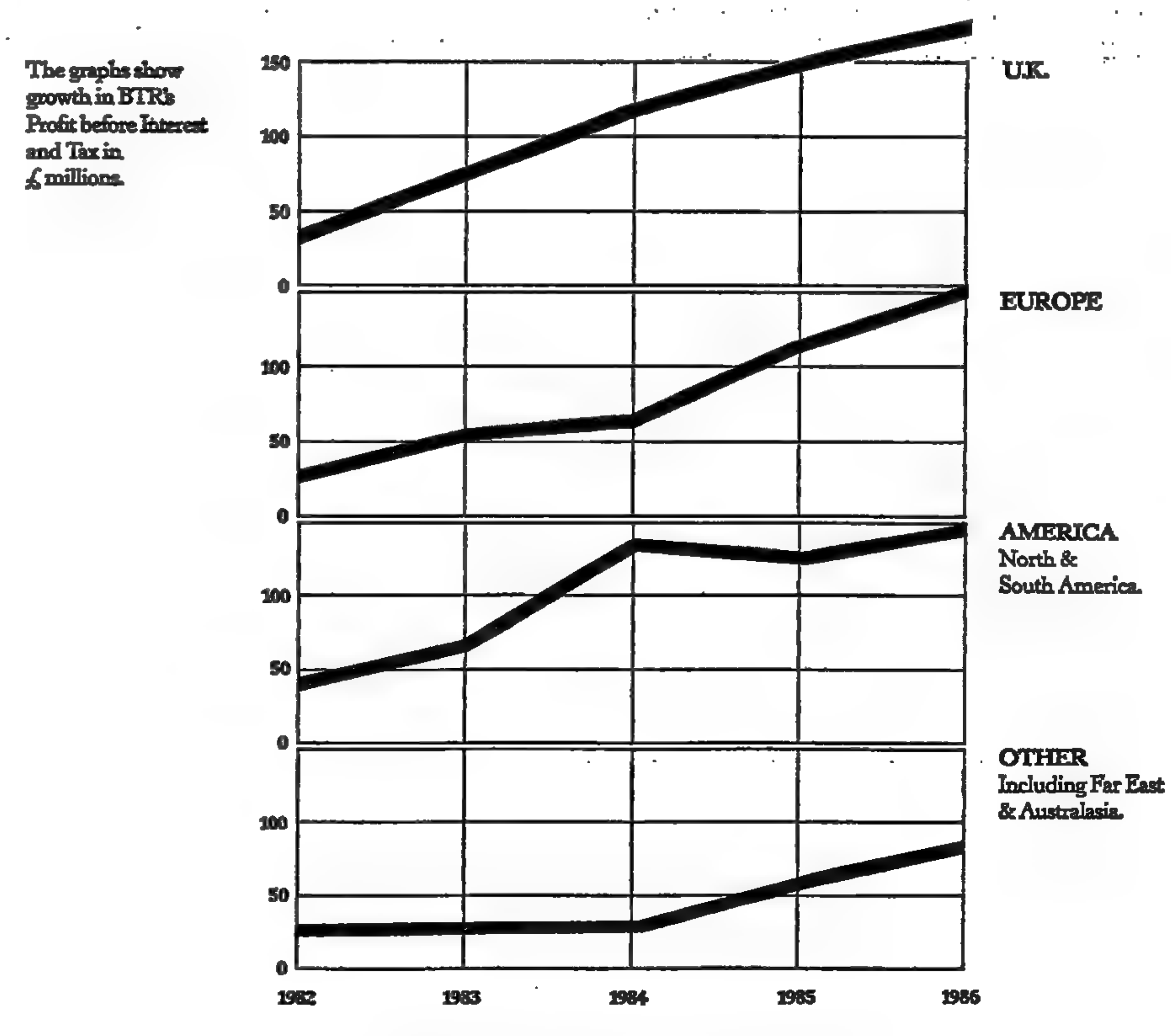
Year ended 31 March

	1987 £'000	1986 £'000	Increase
Turnover	222,221	190,907	+16.4%
Profit before Exchequer levy	37,251	17,271	
Exchequer levy	12,504	2,646	
Profit on ordinary activities before taxation	24,747	14,625	+69.2%
Taxation	8,818	6,347	
Profit on ordinary activities after taxation	15,929	8,278	+92.4%
Extraordinary item	502	—	
Profit for the financial year	15,427	8,278	
Dividends paid and proposed	5,762	4,134	

Earnings per share	33.2p	17.4p
Dividends paid and proposed	12.0p	8.66p

The figures for the year ended 31 March 1987 have been extracted from the full accounts on which the auditors have issued an unqualified report, but which have not yet been filed with the Registrar of Companies. The extraordinary item is in respect of flotation costs and is shown net of Exchequer levy.

Thames Television PLC, Thames Television House, 306-316 Euston Road, London NW1 3BB.



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UK COMPANY NEWS

HOTELS MAR STRONG PERFORMANCE ELSEWHERE

GrandMet improves 18% to £168m

BY LISA WOOD

Grand Metropolitan, the drinks, hotels and foods group, yesterday reported pre-tax profits of £167.7m for the half-year ended March 31, an increase of 18.3 per cent on the £141.8m returned for the same period of the previous year.

Profits, however, included £4.2m (£4.5m) from property sales, taken above the line for the first time, and a pensions holiday totalling £5.3m.

The result, better than forecast by City analysts, would have been £6.6m higher, said GrandMet if US dollar exchange rates for the period had been the same as those in the 1985-86 first half.

The profits growth, with strong performances from all divisions except hotels, was achieved on a little changed turnover of £2.57bn.

Trading profits of £212.8m were up by 11.1 per cent but, stripping out discontinued businesses, they showed an increase of 23 per cent on the previous period.

Earnings per share increased by 10 per cent, from 13p to 14.3p, after a higher tax charge and the interim dividend has been increased from 4p to 4.5p.

Despite only a small growth in sales of beer, in a static market, trading profits on brewing activities, at £41.4m, showed an increase of 15 per cent.

GrandMet said Ruddles, the cult "real ale" brand acquired last year, was being rolled out into national distribution and that it was optimistic for the future of Fosters. GrandMet brews Fosters under licence from Elders IXL, but under a deal struck last month, Elders will also brew the brand in the UK at its Courage brewery.

Consumer services, which includes Mecca Bookmakers and retail operations, showed an 11.7 per cent increase in sales and an 18.5 per cent increase in trading profits to £32.6m.

The foods division, including Express Foods, increased its trading profits by 21.4 per cent to £19.3m despite what GrandMet called difficult market conditions.

The companies within the US consumer products division, now under scrutiny by Mr Ian Martin, formerly managing director of the beer division, all improved sales and trading profits of £27.1m were up by 27.8 per cent. Negotiations are continuing for the sale of DP and Express Foods US.

Inter-Continental hotels' performance continued to be unsatisfactory, said GrandMet, with continuing weakness on the Continent. However, there were signs of improved tourist activity in London. The group is seeking to reduce overheads in the division and improve sales and marketing.

IDV, the largest wine and spirits operation in the world with brands including Baileys Irish Cream, J & B Rare Scotch and Smirnoff vodka, made tradinug profits of £82.6m, an increase of 33 per cent, on sales of £690m.

The results included trading profits of Hueblein and Almaden only from early March 1987. GrandMet said the second half would benefit from the results of both these companies.

The group said that the wines and spirits trades in the important US market were starting to perk up and added that it was well positioned in growth areas including vodka and liquers.

GrandMet said that gearing, lifted to over 100 per cent by the $1.2bn purchase of Hueblein in January, would be reduced to about 90 per cent by hte end of the financial year.

See Lex

B&C profits slide without Exco contribution

BY CLAY HARRIS

British & Commonwealth Holdings, financial services and industrial group, increased operating profits by 33 per cent in 1986 but results at the pre-tax level slid as the company went through its one year without any contribution from Exco.

B&C also said yesterday that it would limit to 2.5 per cent the outside equity interes in a new company it plans to set up to hold its non-nancail acivities. Previously, it had suggested that up to 20 per cent would be offered. The change reflects City qualms over dilution of existing shareholders' equity.

Operating profits advanced from £22.6m to £27.9m, with the financial services contribution soaring from £2m to £12.9m, largely on the strength of nearly trebled profits frmo the Gartmore investment management side.

The non-financial activities, most of which B&C plans to spin off into a separate company, did les well. Bristow helicopters pulled air transport down from £9.2m to £2.8m and the office equipment chipped in only £1.1m against £3.2m. There were upturns, however, in shipping and hotels.

The results in the commercial and service sectors underlined B&C's desire to use the planned spin-off, due by the late summer, to concentrate management attention on the performances of their businesses, Mr Peter Goldie, chief executive, said yesterday.

Pre-tax profits fell from £78.7m to £51.5m, as the net profit contribution from associated companies plummetted from £51.2m to £16.4m. The most significant factor was the 21.6 per cent stake in Exco, which B&C held for 11 months of 1985. It has had it all from the beginning of 1987, after a £673m agreed bid, but it felt the absence last year. B&C also sold its 19.8 per cent stake in Ocean Containers after only five months of 1986.

Turnover increased from £402.4m to £428.9m. After tax of £18.9m (£30.8m), profit amounted to £32.6m (£47.9m). A £27.3m extraordinary credit (£59.2m) included profit on the sale of most of its remaining stake in Telerate.

With earnings per share of 14.8p, against a restated 19.8p, B&C plans to increase its final dividend to 3.55p (2.8p) to make a total of 6p (5p).

Its shares added 8p to 440p.

Exco shows 20% profit fall

EXCO, financial services group, reported a 20 per cent fall in pre-tax profits for 1986, its last year of independence before takeover by British & Commonwealth Holdings.

The pre-tax figure of £70.1m, against £87.4m in 1985, included an exceptional loss of more than £7.4m at Wico, the stockbroker, which Exco subsequently sold to Banque Indosuez.

The fall in operating profit, excluding the exceptional loss, from £86.5m to £73.9m reflected the sale of Exco's majority stake in Telerate, screen-based business information group, in July 1985.

The Telerate disposal also accounted for the decline in turnover from £202.9m to £132.2m and much lower net extraordinary income of £361,000, against £156.3m. The 1986 figure included a £2.1m profit from the Wico sale and £1.7m costs of the takeover by B&C.

Apart from stockbroking, which failed to meet expectations, other parts of the group showed strong advances. Money broking increased turnover зу 15 per cent and profit by 30 per cent, with 60 per cent and 50 per rent advances in forfaiting.

After tax income fell from £37.3m to £27.5m, with net attributable profit of £41.4m against £192.5m. Earnings per share, including the exceptional charge, rose from 17.5p to 15.5p.

Exco became a fully owned subsidiary of B&C on January 1.

DAVIDSON PEARCE (advertising group) — At agm chairman said the long-term opportunities were much increased by the development of 1986. That was the first full year as a public company; financial targets were met and company developed into other areas. Annual billings now approaching £100m.

MUSTERLIN (publishers): has acquired Canongate Publishing of Edinburgh, Scotland. The acquisition will increase Musterlin's turnover, around £7m, by £250,000 in the current year and by £500,000 in a full year.

Apartheid protestors disrupt meeting

By Lucy Kellaway

THE ANNUAL general meeting of Shell Transport and Trading was almost brought to a standstill yesterday as a result of rowdy protest from anti-apartheid groups.

After nearly an hour of angry questions and answers during which the company staunchly defended its continued presence in South Africa, Mr Peter Holmes, chairman, ordered that a special session be held immediately after the meeting for further questions on South Africa.

Shell has become the chief target for anti-apartheid campaigners now that such companies as Barclays, Kodak and Exxon have pulled out of the country. A full page advertisement protesting against Shell's continued involvement appeared in newspapers earlier this week. Shell is expected to respond today.

Critics

Mr Holmes said yesterday that he doubted the wisdom of the recent movement by international companies to pull out of South Africa. "We can see what the effects have been. Panic has not swept either the South African Government or the white community. In fact, supporters of apartheid in South Africa are beginning to welcome withdrawal. It expands local white ownership of attractive businesses at bargain prices and silences local critics of apartheid," he said.

But speakers from the floor argued that by remaining in the country, Shell was propping up the apartheid regime.

The company was also questioned on its alleged infringements of the oil embargo by supplying oil to South Africa. Mr Holmes said he was "absolutely positive" that no Shell Oil had reached South Africa during the past five years.

Hostile

Shareholders were provided with copies of recent advertisements in South African newspapers with captions such as "Shell supports a Free Press." The Rev David Haslam, secretary of the Anti-Apartheid Movement, described such steps as "too little, too late." He said: "we will sting, sting, sting until Shell comes out of South Africa."

The atmosphere was hostile between the objectors and the rest of the shareholders who left the room for wine and sausage rolls after the formal end to the meeting. One speaker accused them of "going to stuff their faces while people were being killed." Red and yellow balloons with the caption "Boycott Shell" were released as about a dozen uniformed Shell men moved in anxiously.

R. Dutch/Shell down to £606m in first quarter

BY LUCY KELLAWAY

Royal Dutch/Shell yesterday announced first quarter 1987 profits down by over half compared to the first quarter of last year, with current cost profits reduced to £606m from £1.81bn.

However, the 1986 figures were unusually high because crude oil prices fell more sharply than product prices, and the decline this year was, if anything, slightly less than the City had expected.

Replacement cost profits, in which last year's stock loss of £593m became a gain of £92m, were almost unchanged at £698m (£718m).

Mr Peter Holmes, chairman of Shell, described the outlook for oil prices as "fairly encouraging," but warned against sharp price movements, which could be either up or down.

The present "delicate balance" that had been achieved in the market could easily be upset if production did not respond quickly to changes in demand, he said.

Peter Holmes, chairman of Shell

Profits for the full year would depend on the level of oil prices, although recent rationalisation of Shell's refineries, coupled with recent acquisitions, should improve its position in the industry.

The bulk of the drop in profits came from oil refining and marketing, with current cost profits down from £614m in the first quarter last year to £166m, despite a volume increase of 14 per cent.

Margins were much lower than at the beginning of last year, although they had improved in the course of the quarter, the company reported.

Meanwhile, profits from oil exploration and production were about 25 per cent below last year because of lower oil prices, and significantly reduced gas prices. Earnings measured in sterling were further depressed by the recent strength of the currency.

Chemicals had a strong quarter, with current cost profits £40m higher at £89m, boosted by improved margins, increased volumes and better sales mix.

Capital expenditure was nearly £200m lower at £820m in the first quarter, although the figure for the full year is expected to be about the same as in 1986.

See Lex

BP profits slip back to £324m

BY MAX WILKINSON

BRITISH PETROLEUM yesterday reported a replacement cost profit of £324m for the first three months of the year, less than half the £740m figure for the equivalent period in 1986.

However, the replacement cost profits a year ago were unusually high because product prices did not immediately follow the downward trend in the cost of crude oil. Refinery margins therefore received a large temporary boost.

This year refinery margins were much weaker because, although product prices recovered compared with their levels at the end of last year, they did not match the rise in crude oil prices from about $15 last autumn to about $17.40 on average for the first quarter of 1987.

Profits from BP Oil International, the downstream arm of the business were £117m in the first quarter on a replacement cost basis before interest, tax and extraordinary items. This was twice the downstream profit in the last three months of 1986 but well below the £408m earned in the first quarter.

Earnings from exploration and production in the first quarter of this year were £265m. This compares with £281m earned by the upstream sector a year earlier, when the price of oil was almost the same. The volume of oil produced this quarter was somewhat higher but the earnings in sterling terms were depressed by the fall of the dollar.

On an historical costs basis BP reported an after tax profit of £458m compared with £22m in the first quarter last year. This profit included net stockholding gains of £134m compared with stock-holding losses of £718m in the first quarter of 1986.

Funds generated from operations during the quarter increased to £1.28bn compared with £1.19bn in the first quarter last year. After funding capital expenditure and acquisitions of £699m the group had a funds surplus of £534m.

The group's liquid resources at the end of the quarter stood at £4.7bn. However, a large part of this will be used to pay the $7.6bn (£4.55bn) cost of acquiring the 45 per cent of Standard Oil of the US which BP does not already own. Cash holdings of about £2.5bn are expected to be run down to about £780bn by the middle of the year.

Standard Oil's contribution to BP's replacement cost operating profit was £261m compared with £134m in the fourth quarter of last year and £329m in the first quarter of 1986.

BP chemicals made a replacement cost operating profit of £47m, which was £6bn less than in the same period of 1986. However, profits were badly affected by cold weather in January, and on an underlying basis the chemicals business is said to have improved.

See Lex

Bank of Ireland earnings jump

BY HUGH CARNEGY IN DUBLIN

Bank of Ireland yesterday reported a 15.4 per cent rise in earnings per share in 1986-87 despite only a marginal increase in pre-tax profits from I£81.3m (£73.2m) to I£81.5m.

Net profits in the year to March 31 1987 were up almost 16 per cent at I£50.09m after a drop in tax charges from I£37.4m to I£30.6m. Earnings per I£1 share were up from 27.3p to 31.5p.

The bank attributed this growth to a fall in bad debt provisions, down by more than 18 per cent to I£46.5m; higher non-interest income; increased contributions from subsidiaries; and increased tax-based lending. Total income was I£417.5m (£406.6).

A final dividend of 7.75p proposed, making a total of 11p for the year. This was up from 10.25p last year, allowing for a one-for-one scrip issue last July.

Mr Mark Hely Hutchinson, the managing director, said the results were pleasing given the depressed home market where demand for lending was low and resources scarce. Profits before tax in the core Bank of Ireland business fell to I£54m from I£63.4m.

The bank is looking further to reduce loan loss provisions, which have been cut by 44 per cent in the past two years.

● comment

Ireland has not been the best place to run a banking business these last 12 months. The combination of the retention tax and flat loan demand squeezed margins and drove deposits abroad. Most of the bank's bottom line improvement came from a welcome reduction in loan loss provisions and better results from non-banking operations.

Ireland's second largest bank is now hinting at much improved results in the coming year as a major cost-cutting exercise gets under way, and the benefits of steady overseas diversification comes through, including the recent acquisition of Bank of America's UK mortgage business. The bank has a surplus of capital in the order of £190m and is likely to announce another acquisition before long, this time probably in the US.

The weakest side of the business will continue to be in Ireland itself until the new Dublin government can crank the economy up into better health.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Assocd Paper ......int	†2.5	July 2	2.2	—	7
Bank of Ireland	7.75	—	7*	11	10.25*
Berkeley Group	†1.65	Aug 12	1.4*	2.5	2.1*
Brit & Cmmwlth	3.55	July 9	2.8	6	5
Chillington Cpn	4.5	July 13	3¶	7	5.2
Corton Beach	§†0.4	July 31	—	0.4	—
English China Clay int	5	Sept 30	4.25	—	12.5
John Foster	2.5	July 15	2.5	3.5	3.5
Gerrard	14	—	12.5	17	15.5
Grampian TV A & ord	1.87	July 11	1.57	2.3	2
GrandMet ....int	4.5	Oct 5	4	—	10.25
Just Rubber	‡1.28	—	1.16	1.92	1.74
London Atlantic	5.15	—	4.75	7.25	6.7
Perpetual ....int	0.8	July 2	—	—	—
Saatchi Saatchi ...int	†6.4	Sept 30	5.5*	—	12.14*
Thames TV	8	—	—	12	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Second interim in lieu of final. ‖ Third market.

UK COMPANY NEWS

International side helps lift ECC up to £43.1m

English China Clays, the clays and construction group which in January failed in its bid to take over Bryant Holdings, the housebuilder and property developer, boosted its pre-tax profits by more than 34 per cent in the six months to March 31 1987 thanks largely to an improved international performance.

On turnover up from £310.13m to £341.54m, profits moved up from £32.08m to £43.14m.

The directors declared an interim payment of 5p (4.25p) and said that they intended to recommend a final dividend at least as large as last year's 8.25p.

Sir Alan Dalton, chairman, said that ECC's business remained brisk and he saw no reason why last December's prediction of another year of worthwhile progress should not be fulfilled. Trading was buoyant and progressively throughout the year new capital would be coming on stream in virtually all areas of group activity.

During the period the group had expanded its mineral interests by purchasing outright or increasing its investment in clay and carbonate businesses in New Zealand, the US, Japan and Spain.

In the UK it acquired the assets of Salop Sand and Gravel. Sir Alan said that the aggregate cost of these acquisitions and of the 29.9 per cent holding in Bryant was £85m, which had been largely financed by short-term borrowing.

He added that as Bryant's results for the year ending May 31 1987 would not be published until after ECC's year end, the figures for the six months did not include any profits attributable to ECC's holding in Bryant since it became a related company on January 18 of this year.

Within the past few days, Sir Alan said, ECC had also acquired a 49 per cent shareholding of its partners in Kaolin Australia, thereby making it a wholly-owned subsidiary.

Divisional contributions to operating profits were: international, £31.16m (£24.44m); quarries, £8.99m (£6.99m); international drilling fluids, £1.08m (£1.75m); and construction, £5.8m (£2.52m).

Minority interests accounted for £61,000 (£114,000) and tax took £14.9m (£11.8m). There were no extraordinary charges (£1.69m) and earnings worked through at 13.89p (9.94p).

Sir Alan Dalton, chairman of ECC.

● comment

English China Clay's interims were ahead of expectations and the shares rose 16p to 458p on the back of this and a confident presentation to the City. Having lost its bid for Bryant, EEC appears to have changed changed tack. It has become less concerned about the vulnerability of the paper cycle than about the cost of going national in housing at this time. Expansion plans now centre on adding to clay reserves in key overseas markets—Australia and Spain could be followed by Portugal, Brazil and the US. Some growth in the useful quarry side outside of the West country would also make logistical sense—and in any UK acquisition share could be used. This reflects the changed attitude to the group since its £86m share issue in mid-summer 1985 (the ex-rights price was exactly £2 below present levels) which marked a low point on the confidence cycle. Now ECC's market capitalisation is approaching £1bn and the discount to broker's estimates of full asset value has narrowed very considerably. Therefore the fear of a predator—the group was for a long time tipped as a target—must also have lessened greatly. This year £110m looks possible, putting the shares on a prospective p/e of 13 which is well up with events.

Perpetual up 14% midway

Perpetual, the unit trust management group whose shares were the subject of a placing in March this year, reported a 14 per cent increase from £2.18m to £2.49m in pre-tax profits for the six months ended March 31 1987. As indicated, an interim dividend of 0.8p has been declared.

Mr Martyn Arbib, chairman, said profits for the half year had benefited from higher management fees whilst administration costs had remained static. As anticipated, sales of units had declined. During the first half sales and profits were enhanced by the successful launch of the European Growth Fund, which attracted £30.9m.

Turnover in the period was down from £96.86m to £79.37m and the cost of sales fell from £94.33m to £77.46m. The gross profit on sales was £1.91m (£2.53m) while management fees rose from £1.3m to £2.09m.

Tax took £812,000 (£752,000) leaving net profits of £1.68m (£1.42m) for earnings per share of 6.7p (5.7p).

Berkeley calls for £35m as profits advance to £8.5m

MR JIM FARRER, chairman of Berkeley Group, the Surrey-based housebuilder and property developer, yesterday reported a sharp increase in 1986-87 profits and at the same time called on shareholders for £35m net via a rights issue.

For the year to April 30 turnover advanced by 66 per cent to £52.9m and at the pre-tax level profits accelerated from £3.8m to £8.5m—in 1983 they totalled just £876,000.

Currently, forward sales are at a record level and land for the group's quality homes continues to be readily available.

The cash call, Berkeley's third in a little over two years, involves the issue of up to 10,371,274 new ordinary shares on a one-for-three basis at 350p.

The proceeds will increase the group's capital base, support continuing growth and provide greater flexibility to take advantage of opportunities for expansion without putting constraints upon organic growth.

In the short-term the proceeds will be used to reduce borrowings and provide additional working capital.

The issue has been underwritten by County and brokers to it are Rowe and Pitman. Provisional allotment letters will be despatched on June 8 and dealings in the new shares are expected to begin the following day.

Turnover from residential building operations rose to £49.29m (£30.59m) and operating profits increased to £7.72m (£4.18m) — the division built 331 homes against 242 the previous year.

On the commercial side turnover reached £3.63m (£1.2m) and operating profits £850,000 (£378,000).

The pre-tax results were after adding in a £517,000 associate's contribution (debit £34,000) and taking account of net interest charges of £528,000 (£702,000).

After tax of £3.08m (£1.5m) earnings worked through at 17.9p (9.1p). A final dividend of 1.65p raises the total to 2.5p (2.1p) on the enlarged capital.

The new shares to be issued will not rank for the final payment.

● comment

Rights issues are becoming an annual event at Berkeley Group —the company raised £1 mat 85p a share when it joined the USM in July 1984, came back for more at 142p in March 1985, and again at 335p in May 1986. Over the same period earnings per share have risen more modestly—from 10p to 17.9p—which suggests that the popularity of the stock owes most to the bouyancy of the £100,000+ market in the SE. In this region builders are forever complaining of the price of land but Berkeley has developed clever ways of acquiring small plots, about three-quarters of its houses are built on sites for three units or less. On these it will do a customised, quick turnround job for a select band of customers who are often willing to buy on the basis of an artist's impression. The £35m rights proceeds could if packaged with the company's highly rate shares provide the wherewithall for an acquisition(s) — certainly management at levels appears to be champing at the bit for more to do. Forecast for this year have been upped to £15m, producing earnings of 23½p and a forward looking multiple of 17 on the shares at 405p.

Walker Greenbank in £8m deals

BY PHILIP COGGAN

Walker Greenbank, the engineering group being built up by ex-Lord Mayor of London, Sir Anthony Jolliffe, has acquired three private companies for £8.2m as part of its drive to become a major industrial group.

The largest purchase is that of Wilcomatic, a group which designs, markets and services car wash and truck washing plants. It was founded by Mr Monty Freedman in 1967; it has over 50 per cent of the UK car wash market and recently obtained a licence to market conveyor car washes in this country.

Walker Greenbank is paying £6.9m for Wilcomatic in the form of 6.87m new shares, all of which will go to Mr Freedman, who will own 11 per cent of the enlarged equity. Wilcomatic made pre-tax profits of £770,000 on turnover of £9.2m in 1986.

Gimson, which Walker is buying for £630,000, manufactures domestic lifts and invalid handling equipment. Last year it incurred a pre-tax loss of £749,000 but since then has moved to a new factory and is back in profit this year.

Gimson will be combined with Tendercare, a company which supplies pressure padding for hospital beds and wheelchairs.

Half the consideration will be satisfied immediately, via the issue of 180,000 ordinary shares and £131,000 cash, and half in May 1988. There is also an offer worth £50,000 for the preference shares, and a potential further consideration of £160,000 dependent on the size of Gimson's pension surplus and the extent of its tax losses.

Walker already has extensive lift interests which will fit in with Gimson and the acquisition of Wilcomatic adds a countrywide service network which can be extended to lifts and be developed as a separate profit centre.

Gorseline, the third purchase manufactures high density polyethylene pipe and provides tracing and fault detection services for underground pipelines.

Management accounts for the first nine months of this year indicate pre-tax profits of £150,000 on turnover of £680,000, and Walker is buying the group for £690,000. That will be satisfied by the issue of 187,000 convertible preference, 245,000 ordinary shares and £160,000 cash.

Thames TV profits up 69%

Thames Television, the UK's largest commercial television company, produced a 69 per cent improvement in pre-tax profits to £24.75m in its first full year figures since its flotation in June 1986.

Mr Hugh Dundas, chairman, said the result reflected a solid improvement in Thames's core business, the operation of the IBA's weekday contract in the London region.

The success of Thames' sales department in increasing the company's shares of network advertising revenue was a contributing factor, as wes improved efficiency throughout Thames.

Turnover rose from £190.91m to £222.22m, and profit before exchequer levy was £37.25m (£17.27m).

A signficant improvement in UK earnings resulted in a fourfold rise in the exchequer levy from £2.68m to £12.5m.

Net advertising revenue was £191.1m, a 23 per cent increase over last year. This represented 15.8 per cent of network advertising revenue—up from 15 per cent in 1985.

In January, Thames took a 5 per cent stake in Société Européene de Satellite (SES), the company behind Astra, a private sector European satellite service based in Luxembourg. The move cost £3.7m and Thames has an option until June to take a further 5 per cent.

Tax took £8.82m, compared wth £6.35m, and earnings per share worked out at 33.2p, up from 17.4p. At March 31, the group had a cash balance of £15m. A recommended final dividend of 8p markes 12p for the year.

● comment

After its offer for sale was 26 times oversubscribed, expectations for Thames TV's results were obviously pretty high; even a 91 per cent earnings per share increase prompted a 34p price fall to 485p yesterday. The shares have come a long way from the offer price of 190p, so investors can hardly be blamed for profit-taking — there are other stocks in the sector with less demanding P/Es. Advertising revenue this year recovered in April after a disastrous March but even the most optimistic analysts are only expecting a rise of 12 per cent, just over half last year's increase. Overseas sales, the other main source of revenue, are declining as no series has yet emerged to replace the popularity of Benny Hill. With plans afoot to restructure the IBA network, Thames must be a likely loser of a shift to the smaller companies or the independents and although some progress has been made in reducing labour costs and burden of fixed costs remains high. Assuming pre-tax profits of £28m this year, the prospective P/E is 13 — that looks quite high enough.

To the holders and beneficial owners of Northern Pacific Railway 4% prior lien bonds due January 1, 1997 (4% bonds), and their coupons and Northern Pacific Railway 3% general lien bonds due January 1, 2047 (3% bonds), and their coupons

UNITED STATES DISTRICT COURT FOR SOUTHERN DISTRICT OF NEW YORK

Alan C. Rievman, *et al.*, Plaintiffs,
against
Burlington Northern Railroad Company, *et al.*, Defendants
85 Civ. 3964 (RLC)

SUMMARY NOTICE OF PROPOSED SETTLEMENT AND OF SETTLEMENT HEARING

A $35,500,000 PROPOSED SETTLEMENT OF THIS CLASS ACTION HAS BEEN REACHED UNDER WHICH, IF APPROVED BY THE COURT, CLASS MEMBERS WHO HOLD 4% BONDS WILL BE PAID APPROXIMATELY $14.75 FOR EACH $100 FACE AMOUNT HELD, PLUS INTEREST, AND CLASS MEMBERS WHO HOLD 3% BONDS WILL BE PAID APPROXIMATELY $45.625 FOR EACH $100 FACE AMOUNT HELD, PLUS INTEREST, AS HEREIN PROVIDED, AND CERTAIN OF THE COLLATERAL SECURING REPAYMENT OF THE BONDS WILL BE RELEASED. THE PAYMENTS UNDER THE PROPOSED SETTLEMENT WILL BE IN ADDITION TO ALL PAYMENTS OF INTEREST AND PRINCIPAL PAYABLE TO THE HOLDERS OF THE BONDS.
YOU MAY OBTAIN A COPY OF THE COMPLETE NOTICE OF SETTLEMENT BY WRITING TO STEPHEN LOWEY, ESQ., AT THE ADDRESS INDICATED BELOW.

LITIGATION

1. The above-entitled action was brought in the United States District Court for the Southern District of New York by plaintiffs on behalf of holders of two series of Northern Pacific Railway bonds, the 4% Prior Lien Bonds due January 1, 1997 ("4% Bonds"), and the 3% General Lien Bonds due January 1, 2047 ("3% Bonds") (collectively the "Bonds"), of which defendant Burlington Northern Railroad Company ("Burlington Northern") is now the obligor and defendants Bankers Trust Company ("Bankers Trust") and Citibank, N.A. ("Citibank") (collectively the "Trustees"), are the respective trustees. Plaintiffs challenged the legality of a plan announced by Burlington Northern on April 22, 1985, whereby the Trustees agreed to release from the liens of the mortgages securing the Bonds certain valuable non-railroad assets ("Resource Properties") that were pledged as a portion of the collateral securing the Bonds, by depositing with the Trustees sufficient United States Government securities to guarantee all payments of interest and principal on the Bonds as they came due (the "Deposit Plan"). The Deposit Plan was coupled with a tender offer whereby Burlington Northern proposed to purchase all outstanding Bonds at $53.50 per $100 face amount for the 4% Bonds and $39.00 per $100 face amount for the 3% Bonds (the "Tender Offer").

THE PROPOSED SETTLEMENT

1. The parties and their attorneys have reached an agreement that, subject to judicial approval, would settle all aspects of this controversy. It is anticipated that under the proposed settlement, holders of the 4% Bonds will receive approximately $14.75 per $100 Bond plus interest, and holders of the 3% Bonds will receive approximately $45.625 per $100 Bond plus interest.

2. The Court has certified a non-opt-out plaintiff class pursuant to Rules 23(b)(1)(A) and 23(b)(2) of the Federal Rules of Civil Procedure consisting of all holders of the Bonds and of coupons detached from the Bonds and all beneficial owners of such Bonds and coupons, and their successors in interest, but excluding Burlington Northern (the "Class").

3. Burlington Northern has deposited a Settlement Fund of $35,500,000 with Morgan Guaranty Trust Company of New York as Escrow Agent. If the settlement is approved, the Settlement Fund (including accrued interest) less amounts approved by the Court for plaintiffs' counsel fees and other litigation expenses, will be distributed to holders of Bonds and holders of coupons detached from the Bonds that have not matured on the date payment is first made ("Coupons"). Payments shall be made only to holders of record of registered Bonds and to bearers of bearer Bonds and Coupons, upon physical presentation of the Bonds and Coupons to the Escrow Agent. Beneficial owners of Bonds and Coupons shall have no right to receive payment directly from the Settlement Fund; rather any beneficial owners must look for payment to the record holders of registered Bonds and to the bearers of bearer Bonds and Coupons. Payments will be subject to all applicable legal requirements for tax withholding in effect at the time of payment.

4. If the settlement is effected, it is anticipated that the trading prices of the Bonds will decline substantially because they will no longer reflect the speculative premiums at which the Bonds currently trade. The cash payments to be received by the members of the Class under the settlement, at the time of its negotiation, were projected by plaintiffs' counsel and their expert to exceed any decline in the market value of the Bonds due to loss of the speculative premium. Because of the volatility of the bond market, due to changing interest rates among other things, no assurance can be given as to the market value of the Bonds at the time of distribution of the Settlement Fund.

5. On the date payment is first made to holders of Bonds and Coupons, the Resource Properties shall be released forever from the liens of the mortgages securing the Bonds. Burlington Northern shall thereafter be entitled to retain and use proceeds derived in any manner from the Resource Properties free and clear of any and all restrictions contained in the mortgages securing the Bonds. In all other respects, the terms and conditions of the Bonds and mortgages will remain in full force and effect, all assets, other than the Resource Properties, pledged to secure payments due on the Bonds will continue to secure the Bonds, and Burlington Northern will continue to be liable for the timely payment of interest and principal.

THE SETTLEMENT HEARING

1. A hearing will be held before the Court in Room 518 of the United States Court House, Foley Square, New York, New York 10005, on July 15, 1987, at 10.00 a.m. (the "Settlement Hearing") to determine whether (i) the Stipulation and Agreement of Settlement settling all claims asserted in this action is fair, reasonable and adequate and should be approved by the Court; (ii) an Order and Final Judgment should be entered dismissing this action as to all defendants with prejudice as against the named plaintiffs and all members of the plaintiff Class as certified by the Court; and (iii) if the Court approves the settlement and enters the Order and Final Judgment, an application by plaintiffs' attorneys for reasonable attorneys' fees and other litigation expenses in connection with this action should be approved. The Court has reserved the right to adjourn the Settlement Hearing without further notice of any kind.

2. If you consider the proposed settlement acceptable, you need not appear at the Settlement Hearing and your interests will be represented by the attorneys for plaintiffs. Any person or entity who is a member of the Class may appear at the Settlement Hearing and show cause, if such member has any, why the proposed settlement or the request for attorneys' fees and expenses should not be approved and this action not be dismissed with prejudice. No person or entity shall be heard at the Settlement Hearing unless a Notice of Intention to Appear and grounds for objection, in writing, together with any supporting papers which such Class member may choose to submit, are filed with the Court, at least fourteen days before the Hearing, showing due proof of service, by first class mail on the following:

Stephen Lowey, Esq.
LOWEY, DANNENBERG & KNAPP, P.C.
747 Third Avenue
New York, N.Y. 10017
Attorneys for Plaintiffs

Robert D. Joffe, Esq.
CRAVATH, SWAINE & MOORE
One Chase Manhattan Plaza
New York, N.Y. 10005
Attorneys for Defendant Burlington Northern

David Mark, Esq.
SHEARMAN & STERLING
53 Wall Street
New York, N.Y. 10005
Attorneys for Defendant Citibank

Jeffrey Barist, Esq.
WHITE & CASE
1155 Avenue of the Americas
New York, N.Y. 10036
Attorneys for Defendant Bankers Trust

3. Whether or not you participate in the Settlement Hearing, notice of the date payment is to be made ("Final Notice") will be given if the Court approves the settlement. At that time, notice will also be given of procedures for presentation of Bonds and Coupons for payment. Final Notice will be given to holders of registered Bonds by first class mail. Notice will also be published in the Wall Street Journal and the Financial Times of London. If you wish to receive the Final Notice and neither are a holder of a registered Bond nor have written to Mr Lowey to receive the complete Notice of Settlement, please send a letter indicating your name, address and number of Bonds or Coupons held to Stephen Lowey, Esq., at the above address. DO NOT SEND ANY BONDS OR COUPONS TO MR LOWEY, TO THE ESCROW AGENT OR TO THE TRUSTEES AT THIS TIME.

4. The Court has ordered that, pending its determination of whether the proposed settlement should be finally approved, plaintiffs and all members of the plaintiff Class, or any of them, either directly, representatively or in any capacity, are enjoined from commencing or prosecuting in this or any other Court any action asserting any claims in any way relating to or arising out of or in connection with any of the transactions, matters or occurrences or series of transactions, matters or occurrences covered by the complaint herein or the proposed settlement.

If the Court enters the Order and Final Judgment contemplated by the Stipulation and Agreement of Settlement at or after the Settlement Hearing, all members of the plaintiff class would be conclusively and forever bound.
May 5th, 1987.

BY ORDER OF THE COURT
Raymond F. Burghardt
Clerk of the Court
United States District Court
Southern District of New York

UK COMPANY NEWS

Saatchi doubles midway profit to over £56m

BY CLAY HARRIS

Saatchi and Saatchi, the world's largest advertising group, yesterday reported interim pre-tax profits of £56.2m, more than double the £25.9m achieved in the first half of last year.

Although the results exceeded City forecasts, Saatchi's shares fell 30p to close at 624p. This weakness was attributed to continuing uncertainty about the future operating roles of the DFS Dorland and Ted Bates agencies within the Saatchi group.

Mr Simon Mellor, Saatchi director, said yesterday that such questions were always on the company's agenda, but that no decision, for example, to merge activities would be taken unless all parties were comfortable with the outcome.

Mr Maurice Saatchi, chairman, did not, however, address the issue directly in his interim statement.

The half-year was the first full reporting period after acquisitions made in 1985-86. These included the US-based agencies, Ted Bates and Backer and Spielvogel.

The group increased turnover from £791.5m to £1.83bn and doubled revenue to £367m in the six months to March 31. Margins improved from 14.1 per cent to 15.3 per cent. Earnings after tax rose from £16.3m to £35.7m.

With earnings per share 21 per cent higher at 21.2p (17.5p) Saatchi plans to increase the interim dividend from 5.5p to 6.4p on substantially increased capital, including rights and scrip issues. Cost of the dividend is £10m (£3.8m).

Communications, including advertising and marketing services, accounted for 84 per cent of revenue and 87 per cent of profit. The balance came from consulting services, in which Saatchi saw a strong and growing worldwide market.

The group was "continuing t oassess a wide range of opportunities throughout the media, communications, database, information, consulting and other related service industries," Mr Saatchi said. It was also developing products combining its companies' expertise.

A number of new clients had engaged Saatchi for a full range of business services. These included contracts from Mars, Uniroyal, Renault, ICI, Allied Lyons, the US Mint, Campbell's Soup, RJR/Nabisco, Proctor and Gamble, and Johnson and Johnson.

"We have seen the transformation in the size of the company and its capacity to thrive in a new age of global marketing," Mr Saatchi said.

After the 23rd successive advance in six-month profits, he predicted another record for the full year over the £70m of 1985-86.

See Lex

Gerrard advances 11% to £11.2m

BY PHILIP COGGAN

AFTER AN eventful year, in which it became one of 27 gilts market-makers, Gerrard & National Holdings, the UK's largest discount house, yesterday announced a 10.9 per cent rise in after-tax profits and a 9.7 per cent increase in the final dividend for the year ended April 5, 1987.

The gilts market weakened for much of the first half of the group's financial year and Gerrard announced it made small interim profits so the news of an increase at the full-year stage cheered the market.

Profits were £11.22m (£10.12m) and there was a transfer to inner reserves of £5.16m resulting from the sale of G & N Equipment Leasing. Disclosed shareholders funds were higher at £92.27m (£65.49m) thanks mainly to the £22m proceeds from last June's rights issue and total assets were up at £4.87bn from £4.38bn.

The final dividend was raised to 14p (12.5p), making a total of 17p (15.5p).

● **comment**

Given that G and N had the rights issue proceeds for nine months, one might have expected something more impressive than a 1 0per cent increase in profits. But a year which saw some nasty moments in the gilts market and the Big Bang leap into market making probably leaves G and N's shareholders feeling grateful for any increase at all. Since the year ended, the group has acquired a 75 per cent stake in Vivian Gray, the stockbroker, as part of its diversification plans but it remains extremely vulnerable to the ups and downs of the gilts market—anything but a Conservative victory will be very bad news for Gerrard indeed. But although the yield at 5.3 per cent is below several others in the sector, the shareholders are probably watching the opinion polls and sleeping well.

INSURANCE RESULTS

N. American rise helps Royal Insurance recovery

DESPITE SEVERE winter weather in the UK, costing £58m in adverse weather claims, Royal Insurance continues to forge ahead in its profit recovery.

Pre-tax profits in the first quarter were nearly two-thirds higher at £47.8m against £29.4m, thanks to continued improvement in the US and Canada.

However, the higher corporate tax rates in North America resulted in the tax charge tripling from £5.1m to £16.2m and net profit rising by 30 per cent from £24m to £31.2m. The earnings per share climbed from 10.2p to 13.2p.

Almost everything in the US, Royal's largest operating territory, is favourable to the group at present. Pre-tax profits rose from £27.9m to £41.2m on written premiums of $526m, an increase of nearly 12 per cent.

The statutory operating ratio dropped from 108.6 per cent to 101.6 per cent, with the claims ratio coming down over eight percentage points.

Canadian business showed a higher pre-tax profit up from £9.8m to £11.8m

● **comment**

Winters in the UK are getting worse and each successive winter is costing insurance companies higher and higher claims payments on adverse weather claims. The snows in January and the hurricane force winds in March cost Royal Insurance £58m—double that of 1986, the previous high. Since Royal does not insure these exceptional losses, it is fortunate for the group that everything is coming right in North America. Rumours of the start of a rate cutting war in the US seem to be premature and not likely to occur this year. The trend in the first quarter of pre-tax profits up by two thirds, if continued for the rest of the year, together with a mild Autumn in the UK, should see pre-tax profits for the year up by a half to £460m. The share price of 895p, down 24p, with a p/e of 7 on prospective earnings per share of 135p undervalues the recovery.

GA's sharp rise to £22.4m

General Accident reported a first quarter pre-tax profit of £22.4m against only £4.7m last year, despite exceptionally high weather losses in the UK of £40m.

Attributable profits more than doubled from £8.1m to £19.9m.

In the UK, GA saw a slight improvement in its large motor account with losses reduced from £8.6m to £5.7m. But this was offset by these heavy weather losses causing the property accounts to have underwriting losses of £26m against £19m. Total underwriting losses climbed from £27m to £34.9m.

In contrast, underwriting losses in the US were down from £26m to £19.7m on premiums up by 16.5 per cent. Improvement was in all lines except private auto which showed a marginal decline.

Canada showed an improvement of £8.8m to produce a profit of £3.9m for the quarter.

● **comment**

General Accident is continuing its recovery thanks to business in the US coming right, because the UK remains very much the problem territory. The severe winter piled up the adverse weather claims and while the signs in the first quarter are that losses on the UK motor account are coming down as the high rate increases start to bite, there is still a long way to go. However, the rest of the year should see the US recovery continue though GA with its high personal lines exposure will not show the same spectacular results as those composites more involved in commercial lines. If the weather is kind in the UK, GA can expect pre-tax profits up by three quarters to over £200m. The price of 940p, down 8p, gives a p/e of 12 on forecast earnings per share of 80p and fully reflects the year's earnings potential.

General Accident

THREE-MONTHS' RESULTS

The results for the three months ended 31st March 1987, estimated and unaudited, are compared below with those for the similar period in 1986, which are restated at 31st December 1986 rates of exchange; also shown are the actual results for the full year 1986.

It must be emphasised that the results for an interim period do not usually provide a reliable indication of those for the full year.

	3 months to 31.3.87 Estimate £ millions	3 months to 31.3.86 Estimate £ millions	1986 Year Actual £ millions
Premium Income—General Business	557.1	496.7	2,184.8
Long Term Business	52.1	46.7	203.1
	609.2	543.4	2,387.9
Investment Income (see Note)	73.7	66.5	297.8
Underwriting—General Business Result	(54.0)	(64.3)	(180.9)
Long Term Business profits	3.5	2.9	10.4
	23.2	5.1	127.3
Interest on Loans	0.8	0.4	2.2
UK Employee Profit Sharing Scheme	—	—	1.9
Profit before Taxation	22.4	4.7	123.2
Taxation—UK and Overseas	1.6	(4.3)	10.1
Profit after Taxation	20.8	9.0	113.1
Minority Interest and Preference Dividend	0.9	0.9	2.3
Net Profit attributable to Shareholders	19.9	8.1	110.8
Principal exchange rates used in translating overseas results			
U.S.A.	1.61	1.48	1.48
Canada	2.10	2.05	2.05

Note: Investment income excludes £2.9m (1986 £2.8m) representing amortisation of U.S. deep discount bonds which under the U.S.A. accounting conventions would be credited to earnings.

ANALYSIS BY TERRITORY OF GENERAL BUSINESS PREMIUM INCOME AND UNDERWRITING RESULT
(before internal reinsurance)

	3 months to 31.3.87		3 months to 31.3.86	
	Premium Income £m	Underwriting Result £m	Premium Income £m	Underwriting Result £m
U.K.	189.1	(34.9)	169.5	(27.0)
U.S.A.	200.5	(19.7)	187.2	(26.0)
EEC other than UK	43.3	(1.5)	38.0	(5.7)
Canada	64.6	3.9	54.3	(4.9)
Australia	8.3	(1.0)	7.8	(0.5)
Others; including London Market business	51.3	0.5	39.9	(0.2)
	557.1	(54.0)	496.7	(64.3)

Net written premiums and investment income increased in sterling terms by 12.1% and 10.9% respectively. Adjusted to exclude the effects of currency fluctuations, the increases were 16.5% and 17.3% respectively.

In the United Kingdom, net written premiums were £189.1m (1986 £169.5m) and there was an underwriting loss of £30.9m (1986 £27.0m loss) after a recovery of £4.0m under internal reinsurance arrangements (1986 nil). The Motor account benefited from 1986 rate increases and reported a loss of £5.7m (1986 £8.6m loss). Weather-related claims in the quarter costing £40m gross (1986 £20m gross) were exceptionally high even in relation to recent experience and impacted particularly upon the Homeowners and Commercial Property accounts with losses for the quarter of £19.6m and £6.2m respectively (1986 £13.7m loss and £5.3m loss respectively). Improvement in the Liability classes has been maintained.

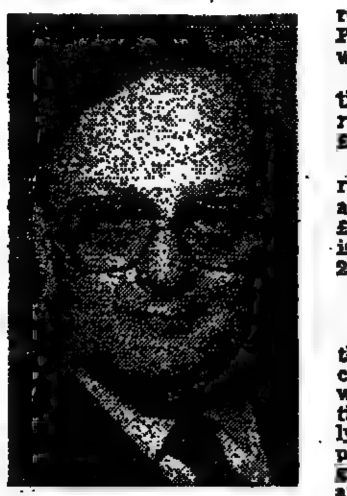
In the United States, net written premiums were $322.8m (1986 $277.1m) and the operating ratio was 109.47% as compared with 113.97% for the same period in 1986. On the United Kingdom accounting basis the underwriting loss was £19.7m (1986 £26.0m loss). With the exception of Private Auto all lines showed improvement on 1986 experience.

Elsewhere there was an aggregate underwriting profit of £0.6m (1986 £11.3m loss). With the exception of Australia, affected by the Vanuatu Cyclone, and Netherlands, other territories performed well with a particularly good result from Canada.

New annual premiums for life business in the United Kingdom for the three months were £8.6m (1986 £5.8m) and single premiums £7.6m (1986 £5.1m).

General Accident Fire & Life Assurance Corporation plc
World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH.

Acquisitions help API to show 32% profit growth



Charles Rawlinson, chairman of API.

WITH MAJOR contributions from acquisitions, Associated Paper Industries has seen a pre-tax profit surge of 32 per cent in the half year ended March 28 1987.

Turnover went ahead 25 per cent to £42.28m (£33.89m) and operating profit rose 23 per cent to £5.12m (£4.17m). The pre-tax balance came to £3.04m (£2.3m).

On prospects, the directors stated that the current level of business and order inflow led to optimism about the outcome for the full year, the 1985-86 total was £5m.

The financial position remained strong with gearing showing a steady improvement. The continuing high capital investment would be "comfortably funded" from the group's own resources and existing facilities.

First half results included Dri-Print Foils and Tenza, acquired in November 1985 and July 1986 respectively. They made a major contribution, the directors reported; after a slow start to the year the results of the papermaking and converting and stamping foil divisions showed a marked impovement in the second quarter.

At the trading profit level, papermaking surged by nearly £1m to £2.5m, while stamping rose by £400,000 to £1.47m. Performance of the paper mill was particularly good.

The air conditioning, filtration and purification side returned a loss of £1,000 (profit £348,000).

Earnings for the period only rose to 9.6p (9.5p) after an almost doubled tax charge of £1.04m. The interim dividend is pushed up to 2.5p net, from 2.2p.

● comment

There were few surprises for the market in yesterday's Associated results. If anything they were a little down on expectations, but not enough for analysts to change their full year predictions of a 35 per cent growth in pre-tax earnings to around 7m. Associated has carved out some impressive niches for itself, especially in foil stamping where it ranks No 2 in the world. It is also the developer of a new method of coating paper using electron beam technology. The market's profit forecasts, and allowing for a 34 per cent tax change gives a p/e of 13.7, a fair rating.

Octopus to pay £4.8m for Mitchell Beazley

By Alice Rawsthorn

Octopus Publishing Group yesterday announced the purchase of Mitchell Beazley, the privately owned illustrated-book publisher, for £4.85m in shares as a precursor to further acquisitions both in the UK and overseas.

Mitchell Beazley is best known for its illustrated books on wine, travel, gardening and interiors. In its last financial year, to November 30 1986, it produced pre-tax profits of £221,000 on turnover of £7m.

Mr Paul Hamlyn, chairman of Octopus, said that it had "an excellent booklist which we have envied for a long while."

Initially Octopus will acquire 85 per cent of Mitchell Beazley's share capital, but intends eventually to purchase the rump of the equity. It has funded the acquisition with the issue of 644,761 new shares. 30 per cent of which has been placed for the vendors.

Once the acquisition is completed, Mitchell Beazley will function as an autonomous subsidiary of Octopus. But Mr Hamlyn envisages using the parent group's marketing and international resources for the benefit of the new subsidiary.

Octopus has embarked upon an active acquisition strategy in recent years, culminating in the takeover of Heinemann from BTR in 1985. The group still has a substantial cash pile

John Foster back in profit and sees further improvement

John Foster & Son, Bradford-based spinner and cloth manufacturer, returned to the black in the second half to report taxable profits of £507,000 against £1.13m, and directors were optimistic about the present year with a much higher level of activity.

In the year to February 27 1987 turnover fell from £24.33m to £20.18m mainly because of reduced demand in the Middle East and Hong Kong and stock reductions by its main merchant customers. Directors said that by strengthening sales to better class retailers and clothiers in the UK and the rest of the EEC the lost markets were being replaced. The benefits were expected in the present year.

Earnings per share came out at 4.3p (11.4p) and the directors are recommending an unchanged final dividend of 2.5p for a maintained total of 3.5p.

In the first half the company incurred loses of £467,000 compared with a profit of £51,000. The second six months resulted in a pre-tax profit of £974,000 (£1.08m). Finance charges were lower at £515,000 (£723,000) and tax was little changed at £122,000 (£123,000). There were extraordinary debits this time of £180,000, being the termination of an interest in a lease commitment and the net closure costs of a factory.

Directors said the second half saw much improved activity in both spinning and weaving. However, because of the normal time lag between production and invoiced sales, that would not be reflected in turnover until the first half of the present year.

They added that the order book for 1987 was healthy and expectations of new orders were good.

Eglington I£6m in the red

Eglington Oil and Gas, an Irish exploration company traded on the Third Market, yesterday announced increased trading losses for 1986 and a rights issue to raise I£1.5m (£1.35m).

The trading deficit widened from £226,235 to £250,199 before taking account of interest income of £76,391 (£171,355) and an exceptional provision of £6.36m relating largely to the write-off of the Colombian prospects, announced in February.

After tax credits of £8,187 (£64,522) the loss worked through at £6.53m against previous profits of £9,642, equal to losses per share of 28p (nil).

The rights issue is of 6,535,910 new shares at 25p on a one-for-eight basis. In addition, for every 10 shares subscribed there will be a warrant attached entitling shareholders to purchase one more share at 5p, but not until July 1988.

APPOINTMENTS

Vauxhall Motors operations chief

Mr Robert W. Hendry has been appointed executive director, operations, VAUXHALL MOTORS. He succeeds Mr Edward P. Naegeli, formerly director of passenger car manufacturing, who is retiring. Mr Hendry joined General Motors in 1964 and held a wide range of finance positions in the US and Canada. In 1982 he became assistant divisional comptroller for GM assembly division and took up a key executive assignment with NUMMI in California in 1984. His last appointment was executive director, organisation studies—GME-PC, based in Zurich.

★

ANGLIA OILS has appointed Mr Phil Mountjoy as commercial director and Mr Ian Butcher as financial director. Mr Mountjoy was commercial manager and Mr Butcher financial controller and company secretary.

★

Mr S. J. Leary, managing director of A & G Security Electronics, a subsidiary of Halma, has been appointed to the divisional board of the HALMA GROUP's security and office technology division.

★

Mr Russell Miller has been appointed director of legal affairs at TI GROUP. He joins from Bowater Industries where he was company secretary.

★

LAND SECURITIES has appointed Mr Harold Ivor Connick, as a non-executive director. He has been senior partner of Thornton Lynne & Lawson since 1954. Mr William Mathieson becomes an executive director. He was appointed a director of Ravenseft Properties in 1971 and Land Securities (Managament) in 1976. Mr Ian James Henderson is made an executive director. He was appointed a director of Land Securities (Managament) in 1979.

★

Mr James Tough has been appointed manager of COUTTS & CO'S representative office at Lloyd's. He has taken over from Mr Warwick Newbury, who has become deputy head of the bank's financial services division.

★

Mr Michael J. Salmon has been promoted to an executive director at the SCANDINAVIA BANK GROUP. His a director in the trade finance and corporate banking department.

★

Mr I. Anderson and Mr J. O. Chian have been appointed directors of LONDON INSURANCE BROKERS, a company jointly owned by C. T. Bowring and Co, and Minet International Indemnity.

Mr Eric Trodd has been appointed as full-time managing director of HADEN AUTOMATION. He joins from Datasolve where he was responsible for its automated manufacturing systems division. Mr Richard Taylor retains his post as chairman of Haden Automation, but has relinquished his part-time post as managing director. As managing director of the Haden Group's European companies, he will concentrate his time developing new business opportunities created by the group's growth in automated manufacturing systems throughout the UK and Europe. Mr Peter Parr has been appointed as sales and marketing director.

Other changes include the appointment of Mr Mike Capey as financial director, in addition to his directorship responsibilities at Haden Technology. Mr Mike Curtis's responsibilities as commercial director have been expanded to include sales proposals, tenders and project management.

Mr John F. Buchan is returning to INTERSPACE as sales director following a 12-month stay with a competitor. He will have overall responsibility for sales and marketing.

★

DALGETY foods dulvsion has made the following changes from June 1 at Homepride Foods: Mr Andrew Gardiner, commercial director; Mr Stephen von Speyr, marketing director; Mr Bob Jones, sales and distribution director; and Mr Jeff Batty, financial controller. At Spillers Petfood business Mr Peter Ewing becomes distribution director and Mr Mike Donegan personnel director.

★

Mr Andrew Dare has been appointed to the board of UNIGATE. He joined in 1971 and was appointed managing director of St Ivel in 1979.

★

Mr Rhoderick Martin Swire and Mr Malcolm Weightman have been appointed directors of G.T. MANAGEMENT.

★

Britannia Airways chairman and chief executive, Mr Derek Davison, has been appointed president of the INTERNATIONAL AIR CARRIER ASSOCIATION.

★

TERMINAL DISPLAY SYSTEMS, Blackburn, has appointed Mr Mike Lawton as managing director. He was marketing director for 18 months before replacing Mr Bob Astley who becomes deputy chairman.

★

MURRAY JOHNSTONE has appointed Mr David M. Briggs to the board. He joins from Kemper-Murray Johnstone International

★

Mr Brian Howard has joined the board of NORTHERN FOODS as a non-executive director. He was deputy chairman of Marks and Spencer until his recent retirement.

Associated Energy stays in profit

The improving trend at Associated Energy Services continued into the half year ended March 31 1987, when the company returned a pre-tax profit of £41,000.

That compared with a loss of £64,000, which was turned into a profit of £6,000 by the end of the 1985-86 year.

—Energy is a USM company engaged in building and environmental maintenance services, and catering distribution. Its turnover for the half year came to £1.48m (£1.59m) and operating profit to £91,000 (loss £18,000). Earnings were 0.59p per 5p share (deficit 0.92p).

There were extraordinary charges of £23,000 (£8,000).

The directors said that suitable acquisitions which would enlarge the size of the company's activities and enable its existing businesses to be expanded were being examined.

Corton Beach plans USM move as profits trebled

Corton Beach, the acquisitive mini-conglomerate, is planning to seek an early introduction to the Unlisted Securities Market. The announcement was made yesterday at the time of reporting record results with pre-tax profits almost trebled.

Mr Mike Keen, chairman, said the move was part of the next stage of the development of the company, which came to the Third Market in January. It is also intended to float the Propeller textile operation on the Third Market.

In the year to the end of January 1987 turnover more than doubled to £19.54m (£8.51m) for pre-tax profits of £742,000, against £274,000. Earnings per 10p share came out at 3.54p (1.67p) and the directors are proposing an initial final payment of 0.4p.

There were extraordinary credits of £346,000 (£30,000), being the profit on the sale of the company's investment in Park Hall Leisure and reorganisation costs within the motor division.

Mr Keen said that the present year had started well with profits and turnover well ahead

The Propeller menswear operation, the object of the recent Tern acquisition, saw sales rise to £5.52m for pre-tax profits of £313,000.

The base ofthe automotive division had been broadened with the expansion and addition of a number of franchises. The food division was now centred in Durham and the acquisition of Everfresh and Salop Deep Freeze had concentrated its development in meat processing and freezer centres.

Avesco in talks

Avesco, television services group which joined the Unlisted Securities Market last December, announced yesterday that it was talking to a private company about possibly acquiring it. Although further details may not be known for some weeks, Avesco said it had made the statement because of the recent rise in its share price, up 7p to 90p on Wednesday and another 8p yesterday.

Chillington's second half pick-up

The Chillington Corporation, which changed its name from Plantation and General Investments in March 1986 following the acquisition of the balance of Anglo Indonesian Corporation, yesterday announced pre-tax profits up from £1.76m to £2.63m for 1986 after just a slight improvement from £1.08m to £1.1m at half way.

The directors said that the improvement in profits forecast at the interim stage continued into the second half of the year across almost all the group's activities.

There was a particularly strong performance from the overseas engineering businesses and the recently established or acquired operations came into profit. The UK engineering companies generally also continue their steady improvement and there were particularly good results from those selling into the builders merchants and DIY trades.

The directors concluded that the outlook for the group as a whole for 1987 was encouraging.

Turnover last year rose from £10.81m to £36.67m, the comparative figure having been restated to exclude turnover of investment activities of £1.61m.

Tax took £563,000 (£491,000) and minorities £549,000 (299,000). There was a debit of £138,00 (nil) for monetary working capital adjustment—a provision for the effect of inflation of real working capital of the Brazilian subsidiaries—and extraordinary items amounted to a credit of £235,000 (debit of £69,000). Attributable profits emerged at £1.62m (£899,000) for basic earnings of 13.1p

As intimated the dividend is a total of 7p (5.2p) with a proposed final of 4.5p. A one-for-10 scrip issue in ordinary and deferred ordinary is also proposed.

THE PROPERTY MARKET By PAUL CHEESERIGHT

Giant shows it was not slumbering

THE JUICIEST plum of all: Land Securities—property portfolio of £3bn, net assets £2.45bn, market capitalisation nearly £2.4bn—waiting to be picked off, say respected City men.

Difficult, of course; bit large, but it could be done with a consortium—say a British company with an overseas group, probably Japanese. Of course, it would have to be an agreed bid.

Such possibilities have been the stuff of City gossip and speculation on and off for over a decade. It is doubtful whether they keep Lord Samuel awake at nights.

He is the man who started with three houses in Kensington worth £22,000 in 1944 and created the colussus of the British property market—over 20 per cent of the weighting in the FT Property Shares Index—that on Wednesday announced pre-tax profits of £120.6m, total income for the first time over £200m, and a 16.2 per cent increase in net asset value.

But the possibilities are a factor in the thinking of the top group executives. "People have said we're too big," says Peter Hunt, managing director since 1979, "but there are vast sums of money about—and not so much to the west of here."

So here is the Japanese card. "They've got low yields at home, they're putting money into the US, they've got to look at the UK. It's a possibility," Mr Hunt concedes. But, he adds: "Quite frankly I believe the way this company is going — the potential growth and strength of it is such that it should remain independent. But that shouldn't stop you sitting down and saying 'what if?'"

The way this company is going, in fact, has impressed the City more of late. Even after the interim figures last October, the "buy" recommendations were coming out. "A highly marketable core holding"—Phillips and Drew. "Buy for relative performance" — Quilter Goodison. Messel though was more ambivalent—"A hostage to the fortunes of the UK property market."

The point is that the movement of the property market is working to the advantage of the way Land Securities is going. Criticism of Land Securities is that it simply did not get on the way quickly enough, that it a lumbering giant, that it was a bit sleepy, that it had become a mere rent collector.

Mr Hunt denies that, arguing that people did not know what was going on behind the scenes. It could be, of course, that Land Securities did not bother to tell them because it saw itself as too powerful. "In recent years we have been more forthcoming in talking to analysts, journalists," Mr Hunt says.

His potted rundown of corporate development runs like this. There was a very quiet period after the mid-1970s property market crash, during which time all the subsidiaries were pulled into one operation. By the end of the 1970s, development was coming back and tenant demand was changing. At that stage Land Securities decided that, as Mr Hunt puts it, "the most lucrative development was on sites we already owned."

So, he said, the group set about redeveloping and refurbishing the buildings in the portfolio it could get into. That added up to 1m square feet of development. Then, as the 1980s wore on, the group reached the stage of looking for new opportunities, like retail warehousing, and at the same time started refurbishing shopping centres, while going out to the market and acquiring more property for development.

Roughly, that is where we are now, with the market looking at a group holding 800 properties, 6,000 tenancies and 1,000 rent reviews a year. Sheer numbers are not really the point, however.

The point is where the properties are and what they are. And it is at this stage that the movements on the market and the way Land Securities is going to start to run together.

The boom areas are central London offices and retailing. With around 8.5m sq ft of office space in the City of London, the West End and Victoria, Land Securities would be making a great deal of money even if it did nothing. It is London where the group's office portfolio is concentrated.

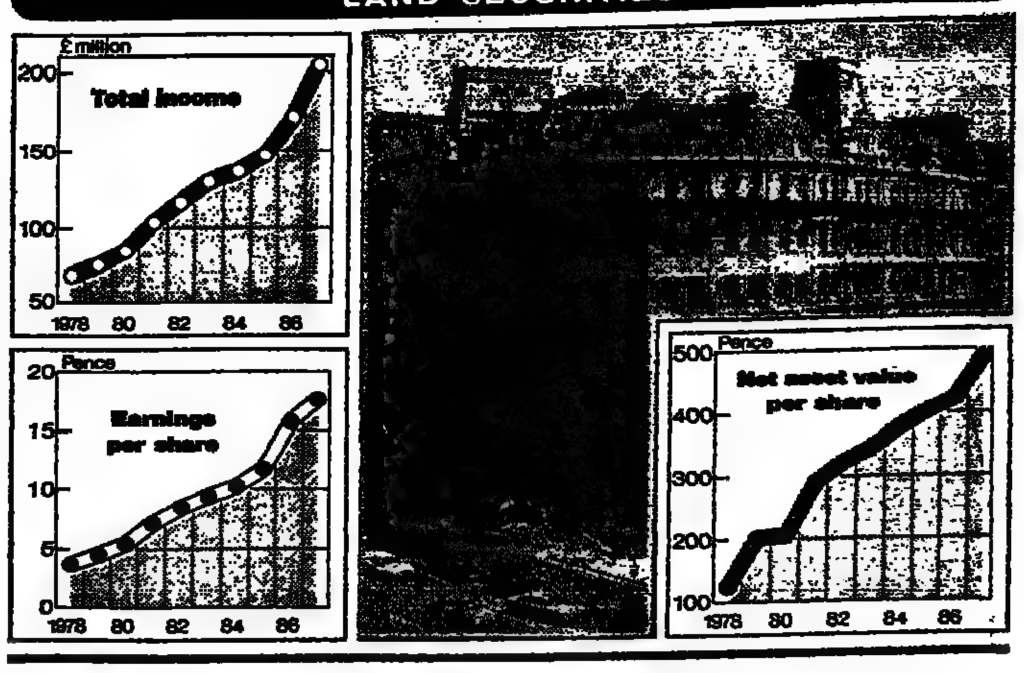
But of this 8.5m sq ft, around 3.5m was built before 1965, so there are substantial refurbishment opportunities still to be exploited. And these are opportunities property groups like to have — their existence in the Oldham Estate portfolio was one reason MEPC was keen to buy it. On top of that, in the next year, Land Securities will start work on a further 1m sq ft of new space.

On the retailing side, the group has spent over £100m in buying itself a place in the retail warehouse market. It was too late in the field, not starting until 1985, but now has the potential of 3.5m sq ft of space, if all the development plans are brought to fruition. Buying ready-made is now pretty well ruled out. "It's more and more difficult to buy completed things, because everybody's got wise to the yields," says Mr Hunt.

All this adds up to a development programme which is worth substantially more than the £346m Land Securities says it has committed. It has cash in hand from long-term borrowing—£600m raised on the capital markets since November 1985—and the capacity to raise more. With tiny short-term borrowings and about £850m in total of long-term debt to set against net assets of £2.45bn, it is scarcely highly geared.

Indeed, the board is approaching shareholders for authority to lift the borrowing limit from £1bn to £2bn.

There is then a sense of activity about the group and this has contributed to the rise in its share price. It has offered reasons for buying other than those which apply to the sector generally. This in turn has narrowed the discount between the market price and the net asset value. "The average of 20 per cent for so long is far too big a discount," Mr Hunt claims.



Grand Buildings, Trafalgar Square: Plans for redevelopment first discussed in 1981

The main criteria for a purchase

LAND Securities is looking for further growth, but the chances are that this will take place out of its own development programme rather than buying completed projects.

The difficulty is that, although the group has plenty of resources to step into the marketplace, there are not that many finished properties for sale which meet its buying criteria.

The quickest growth is by acquisition and that was how Land Securities grew in the 1960s. But then the main criterion for a purchase was simply 'where is it?' That, of course, is still a factor. "You need the highest possible proportion of value in the land," says Mr Peter Hunt, the managing director. "There is then a margin to support redevelopment and refurbishment of the original building."

This is important for the group because it buys for the long term. Indeed, critics say that it does not prune its portfolio often enough or quickly enough.

There are three other criteria Land Securities uses for acquisition:

● Buy freeholds: only take a leasehold at a peppercorn rent;

● Keep the ownership at 100 per cent—"put in the money, own it, control it," in Mr Hunt's words;

● Make certain the building is of high quality—it reduces the refurbishment costs.

"The best thing we can do," says Mr Hunt, "is to pick our locations (for site purchase) and build up development and create additional holdings which meet these four criteria."

International Property

LAW AND SOCIETY

A message to the manifesto draftsmen

BY A. H. HERMANN, LEGAL CORRESPONDENT

IT WAS my intention to write this week, as I have done many times before, about the awful mess in which the intellectual property law is at present and to draw attention to the excellent analysis of the problem provided last week by Mr Edward Armitage, former Comptroller General of the Patent Office, in a public lecture at Queen Mary College, London University.

However, there is no hope that our political masters, actual or potential, will give a thought to such a pedestrian subject (concerning neither sex, violence, race nor sport but only how to turn inventiveness into wealth of nations) in a week when they are adding the final touches to their election manifestos. I have decided, therefore, to be devious and to tackle the more fundamental failings of which the sorry state of intellectual property law is but one of the many deplorable consequences. Let us hope that the manifesto drafters will prick up their ears when they hear that the rule of law is only a fiction in the UK.

There are four reasons why law is losing a rearguard action, holding on desperately in enclaves engulfed by social and technological change.

First, there are many more people in the UK, their origin, ethos and pursuits are much more varied, and the technology they use was undreamed of a mere 50 years ago, but English lawyers try to make do with concepts and methods developed 500 years ago. A casuistic law, relying on precedent and specific statutory provisions, shunning general rules, aims and philosophy cannot cope with the fast-changing scene. Mr Armitage provided one illustration in many when discussing the failure of the present system to cope with industrial design.

Second, with mass production, urbanisation, consumerism, the welfare state, terrorism and information technology, the citizen is dwarfed by the ever-present bureaucratic machine. Yet administrative law which would protect the citizen against the mighty has been completely neglected by parliament.

The neglect is unavoidable—and this is the third reason for the defeat of the rule of law—when parliament is dominated by the government in office so that its checks on the executive are more and more only noisy and no longer effective.

Finally, the pervasiveness of government and lack of legal principles greatly aggravates the consequences of an electoral system which gives a minority party almost absolute power until the next election.

What is to be done by politicians to re-establish the rule of law?

They should stop fooling themselves and the public that the law-making process can be completed by passing a statute. It is high time to accept that law is a dynamic system created and recreated all the time, all the way down from parliament, by officials, judges, companies and individuals.

To function satisfactorily, its servants, the lawyers, must be better prepared by being taught not only cases but also the theory and discipline of law. This can hardly be achieved by a six-month cramming course plus some practice. Proper full-time study of at least four years should produce candidates for training from a much wider social background to replace our WOMB (white Oxbridge male barrister) judges by a career service with greater understanding of the principles of law and lesser tolerance of attorneys' tricks.

As Sir Gordon Borrie, QC, Director-General of Fair Trading, now urges, the choice of the attorney, whether solicitor or barrister, should be left to the parties and both solicitors and barristers should be free to form partnerships—and partnerships with other professions as well. And perhaps to limit their liability by shares.

The law-making process is in urgent need of reform. First, as Lord Hailsham suggested when he talked to the Financial Times recently, the purpose of a statute should be made clear both to parliament making it and to the judges applying it by attaching to the bill a report to which courts would be able to refer when trying to decipher parliament's intention from the obscure language of the parliamentary draftsman.

Second, to help judges modernise common law, Law Commission recommendations should be, as Professor P. S. Atiyah suggested in his Hamlyn lectures*, discussed by parliament and, if accepted, should be used by the courts as guidance for judicial development or reform of the law.

The haphazard development of administrative law by courts, welcome as it was, cannot alone restore the balance between the machinery of state and the individual subject.

Work on a code of administrative law should be put in hand without delay and in the meantime an outline of its main principles should be approved for the guidance of courts.

The European Convention of Human Rights should be made part of UK law without delay—a proposal which now has wider support ranging from the extreme left to Lord Hailsham.

As Ms Gillian Peele of Lady Margaret Hall, Oxford, argues in a pamphlet† published last week, the system of ombudsmen dealing with complaints against national or local administration and that of the National Health Service should be strengthened, publicised and made effective by giving the citizen the possibility to seek the enforcement of the ombudsman's report in court — as is possible in Northern Ireland. The ombudsman should be accessible directly and not just through a member of parliament.

To this I would add that many more sectors should be provided with ombudsmen and that the rather toothless Lay Observer of the Law Society should be replaced by a tribune with real power to defend the victims of both branches of the legal profession.

There can be no rule of law as long as courts are closed to those who are not poor enough to get legal aid or stinking rich enough to be able to pay for it. Let us admit that legal aid is only a subsidy to the legal profession and discriminates against all people depending on modest or medium income. The remedy is:

- To allow litigants and attorneys to agree contingency fees, so that the litigant would pay nothing if he lost and the lawyer would get a percentage (according to a retrogressive scale) of the award, if successful.
- To replace the present time fees by fixed standard fees—a policy already embraced by the Lord Chancellor's department.
- To push energetically development towards greater judicial control of pretrial proceedings and of the trial, making it the judge's job to press for settlement where appropriate. Parties should be required to place cards on the table and to provide full written information to each other and to the court as a preliminary to oral proceedings which would take only hours where they now take weeks.

Then there is the open sore of overcrowded prisons while crime is on the increase. The first task should be to relieve the courts and prisons by an amnesty of petty first-time offences.

The second move should be stiffer sentences for violent crime ensured by full right of appeal for the prosecution.

The third move must clearly be to give more power and more money to the new prosecution service. It should be in full control of prosecution and not just a messenger boy of the police who discover that their brief is hopeless only after prosecution is under way.

Finally there should be a far-reaching decriminalisation of petty offences. Shoplifting, transport and other small frauds should attract a fine on the spot on the model of a parking ticket and full use should be made of alternatives to prison which are already available for punishment of non-violent crime.

Labour camps rather than drug-infested smelly closed prisons should be used to acquaint those with custodial sentences with an alternative life-style and new skills. They would be cheaper to construct and to maintain—and to dismantle if the new policy is successful.

* *Professor Atiyah: Pragmatism and Theory in English Law; Stevens & Sons 1987.*

† *Gillian Peele: The Rule of Law in Britain today: published by Constitutional Reform Centre, Hughenden Foundation.*

Shops and Offices

Land Required

Company Notices

EAST RAND GOLD AND URANIUM COMPANY LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 71/07001/06

NOTICE TO HOLDERS OF 15.5 PER CENT UNSECURED CONVERTIBLE DEBENTURES 1988-1991—INTEREST PAYMENT No. 6

Notice is hereby given that in respect of the interest on the debentures for the period January 1 1987 to June 30 1987, warrants bearing the latter date will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about Thursday, June 18 1987 to debenture holders registered at the close of business on Friday, May 29 1987. For that purpose the transfer registers and registers of debenture holders will be closed from Saturday, May 30 to Saturday, June 13 1987, both days inclusive.

Registered debenture holders paid by the United Kingdom Registrars will receive their interest in United Kingdom currency converted at the rate of exchange applicable on June 2 1987. Any such debenture holders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before Friday, May 29 1987.

In terms of the Republic of South Africa Income Tax Act, 1962, as amended, a withholding tax at the rate of 10 per cent will be deducted by the company, where applicable, from the interest payable to those debenture holders whose addresses in the registers of debenture holders are outside the Republic of South Africa. Interest amounting to R20 or less accruing in any one year is exempt from the tax.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per H. E. Phillips
Divisional Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Registered Office:
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
May 14 1987

AAC

WESTERN DEEP LEVELS LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 57/02349/06

NOTICE TO HOLDERS OF 12 PER CENT UNSECURED DEBENTURES 1986-1993 INTEREST PAYMENT No. 14

Notice is hereby given that, in respect of the interest on the debentures for the period January 1 1987 to June 30 1987, warrants bearing the latter date will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about Thursday, June 18 1987 to debenture holders registered at the close of business on Friday, May 29 1987. For that purpose the transfer registers and registers of debenture holders will be closed from Saturday, May 30 to Saturday, June 13 1987, both days inclusive.

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Holders of debentures have been notified that there will be no drawings of debentures for redemption during the years 1987 to 1991.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
per J. H. Perry
Companies Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Registered Office:
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
May 14 1987

AAC

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of a Dividend of $1.25 (gross) per share of the Common Stock of the Corporation, payable on the 10th June, 1987, there will become due in respect of Bearer Depositary Receipts a gross distribution of 6.25 cents per unit.

The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 15th June, 1987.

All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depositary. Claimants other than UK Banks and Members of The Stock Exchange must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted. The Corporation's First Report for 1987 will be available upon application to the Depositary named below.

Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street
London EC3P 3AH

CNT

Caisse Nationale des Télécommunications
FF 600,000,000
Adjustable Rate Series A Bonds due 1996
Exchangeable for 8¾% Series B Bonds due 1996

In accordance with the Conditions of the Series A Bonds, notice is hereby given that for the interest period from May 14, 1987 to May 14, 1988 the Series A Bonds will carry an interest rate of 8.79% per annum.

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

BARCLAYS UNI-AMERICAN GROWTH TRUST.

Copies of a Half yearly Report to 25th March 1987 with an Explanatory Memorandum are now available to shareholders from:

Managers: Barclays Unicorn International (Channel Islands) Limited, P.O. Box 152, St. Helier, Jersey, Channel Islands. (Tel: 0534 73741.)

BARCLAYS

GUERLAIN S.A. and LOUIS VUITTON

The Supervisory Board of GUERLAIN S.A. has given its approval today for the sale by several shareholders of approximately 15% of the share capital of GUERLAIN S.A. to LOUIS VUITTON.

The proposal will be made at the Shareholders' Meetings of GUERLAIN S.A. and LOUIS VUITTON that both companies be represented at each other's Supervisory Board.

The parties were assisted in this transaction by Maison Lazard.

Paris, 6th of May 1987
The Executive Boards of
GUERLAIN S.A. LOUIS VUITTON

Contracts and Tenders

NICOSIA RACE CLUB

Invitation for Consultant(s)

The Nicosia Race Club in Cyprus is in the process of evaluating tenders for the computerisation of its horse race betting operations and proposes to engage an external consultant to verify the report and recommendations of its local consultants.

Interested organisations and/or individuals with wide knowledge of and expertise in computerised totalisator systems are invited to apply in writing, enclosing curriculum vitae, to:

The General Manager, Nicosia Race Club
P.O. Box 1783, Nicosia, Cyprus
(Tel. 02 497966: Telex 4730 NRCLUB CY)

Interested organisations and/or individuals should have no interest whatsoever in the manufacture and/or supply of computerised totalisator systems.

Applications should be submitted not later than 13th June, 1987.

Clubs

Personal

COMMODITIES AND AGRICULTURE

Producers take a grip in cadmium market

BY STEFAN WAGSTYL, MINING CORRESPONDENT

CADMIUM PRICES have risen by 75 per cent in a month helped by efforts by European producers to take a tighter hold on supplies to the market.

Traders say that the producers have taken advantage of a market in which worldwide stocks have fallen to the lowest level for many years and demand is growing strongly.

Cadmium, refined as a by-product in zinc smelting, is used in plating and paint-making, and increasingly in nickel-cadmium rechargeable batteries.

The free market price has risen from about 90 cents a pound in early April to $1.55-$1.62 a pound this week, according to Metal Bulletin, the trade magazine.

Traders say Vielle Montagne, the Belgian metals group which is the world's largest cadmium producer, has stopped selling metal on the spot market in order to concentrate on expanding output of cadmium-based products and has even bought metal from other producers. It is understood that other European producers have also restricted sales on the spot market.

A senior executive in Vielle Montagne's commercial department, denied yesterday that producers were in any way co-operating over cadmium pricing.

The only co-operation between European smelters was in a joint study, announced last month, by several companies into the possible future consolidation of the European zinc industry, said Mr Schynes.

The companies publicly involved in the talks, which may lead to the closure of zinc, and therefore of cadmium, production capacity, are Vielle Montange, Boliden of Sweden, Outokumpu of Finland, Penarroya of France and Preussag of West Germany.

The pattern of supply and demand has been moving in favour of higher cadmium prices for some time. Cadmium output last year rose by 4 per cent to 14,700 tonnes in the Western world according to the World Bureau of Metal Statistics. But consumption rose by 12 per cent to 15,500 tonnes, largely as a result of growing Japanese demand for metal for batteries. Japan, once a net exporter, has recently been importing cadmium.

In addition, supplies from China, a big source of metal until last year, became very scarce and the country has had trouble fulfilling contracts.

As a result, stocks have fallen greatly—the statistics bureau says that producer stocks stood at 2,900 tonnes at the end of February, 40 per cent of what they were in the mid-1970s.

Traders say that, against this background, three factors triggered the price rise—recent Chinese failures to ship metal; a swing in favour of metal prices generally, especially precious metals; and the European producers' moves.

LME holds dry run of clearing system

By Stefan Wagstyl

THE London Metal Exchange, which is modernising its market, is today holding a full-scale practice run of the clearing system which will be brought into action on May 29.

The exchange, trading companies and the International Commodities Clearing House, which will run the system, are to process this afternoon's trades to test their procedures.

Traders and exchange officials were crossing their fingers that everything would go well after months of intensive preparation.

The exchange is abandoning its century-old principal-to-principal market in favour of a cleared market in response to pressure from the Securities and Investments Board, the City regulatory watchdog.

Exchange officials originally hoped to have the new system in place in March. But the prolonged discussions with the SIB and within the LME over the precise form of the new market have delayed its introduction.

Meanwhile, the exchange has put forward to members its final draft plans for the reorganisation of the LME's management. This involves replacing the current two-tier structure in which authority is divided between a board and a committee, with a single managing board.

LME members have until May 21 to respond to the proposals before a general members' meeting on May 28. The new managing board is to be elected by July 10 and to start work on July 24.

In order to lift the threat of litigation arising from the tin crisis from the new body, a new company, called the London Metal Exchange Ltd, has been created to hold the exchange assets. The old company, the Metal Market and Exchange, which is being sued in tin crisis litigation, will stay in existence but will be dormant.

To raise £200,000-£300,000 needed to run the exchange to the end of December, ring-dealing (trading) LME members will be asked to contribute a suggested £10,000 each as a joining fee, clearing associate members £6,000 and other associate members £2,000. Thereafter money will be raised from annual subscriptions.

Euro-MPs back plans for EC oils and fats tax

BY QUENTIN PEEL IN STRASBOURG

A BRITISH-LED attempt to vote down the European Commission's controversial plans for a tax on oils and fats, which opponents say could precipitate a furious trade war with the US and other suppliers, was defeated in the European Parliament yesterday.

The final decision on the tax is up to the Agriculture Ministers of the 12 member states, who meet again next week in another effort to agree on farm prices in the EC for the coming year. However, the vote in the Parliament suggests that the opposition lobby within the Community may be weakening.

The MEPs yesterday gave their broad support to the Commission's tough price strategy, rejecting a proposal that prices for cereals should simply be frozen, and accepting that they should actually be cut to reduce the current surpluses.

They also supported the dismantling of the system of monetary compensatory amounts (MCAs)—border taxes and subsidies—which cushion farmers against currency movements in strong currency countries like West Germany and the Netherlands.

The oils and fats tax, presented by the European Commission as a "stabilising mechanism" to bring balance back into the olive oil and other vegetable oils sector, has aroused fierce opposition both in the food processing industry, and amongst external suppliers of soyabeans, mainly the US, and palm oil, like Malaysia and Indonesia.

The MEPs yesterday voted by 184 votes to 126 in favour of the measure, although they agreed to an amendment which would exclude fish oils, and leave only vegetable oils liable to it.

They also sought to have the best of both worlds, by insisting that the tax should not be passed on to consumers of products like cooking oil and margarine, but absorbed by the processing industry, and that the tax must be consistent with the rules of the General Agreement on Tariffs and Trade.

Sir Fred Catherwood, the Tory MEP who sought to co-ordinate opposition to the move, condemned the vote yesterday as "extremely dangerous."

Five EC member states oppose the tax in the Council of Ministers—Britain, the Netherlands, West Germany, Denmark and Portugal—and between them they command a blocking minority.

However, in the Parliament yesterday the Dutch members were notable for voting mainly in favour of it.

Sir Fred said the main opposition came from MEPs concerned about the international trade repercussions.

"We cannot run the community on the basis of a farm lobby and have no regard for international trade," he said.

EC budget shortfall, Page 2

US stalls on subsidised wheat sales to Soviets

BY NANCY DUNNE IN WASHINGTON

THE US offer to sell 4m tonnes of subsidised wheat to the Soviet Union is running into difficulties over the terms of the sale and the level of subsidy.

The US Department of Agriculture rejected the terms of the Soviet tender for 1m tonnes of wheat, saying that the specification of 60.6 lbs minimum weight is not in keeping with the original export bonus agreement.

The standard for red winter wheat number two, the type of wheat sought, is 58 lbs a bushel.

Exporters resubmitted new bonus amounts Tuesday evening, but the USDA refused to consider both the bid amount and bonus.

Reports circulated among traders that the department was seeking to stall the sale until prices declined in order to reduce the amount of subsidy that would have to be paid.

Prices did, in fact, begin to decline, and the amount of subsidy needed fell from $52 earlier in the week to $45 yesterday.

The cost of the subsidies is of particular concern. The

The cost of the subsidies is of particular concern. The department is getting periously close to the $1bn limit Congress has budgeted for the export enhancement programme, under which subsidies are provided. Thus far, the crop "bonuses" given to exporters to subsidise sales valued at $675m.

At $45 a tonne, a 4m tonne sale would bring the total for subsidies to $855m. The USDA still has several offers out to other customers and has been expected to make new offers of subsidies to China and Poland.

Congress pushed hard for subsidies, and under ordinary circumstances could be expected give the USDA additional funds for the programme. The bonus scheme also serves the purpose of off-loading some of the massive surplus, but still the cost must be budgeted at a time when there is no room in the budget for more farm aid.

Japan's rice growers accept price cut

By Carla Rapoport in Tokyo

JAPAN'S FARMERS have agreed to accept to first cut in Domestic rice prices in 31 years.

Japan has been under severe attack both at home and abroad for maintaining high levels of agricultural subsidies and maintaining a total ban on the import of rice.

Its politically powerful farmer's lobby, the Central Union of Agricultural Co-operatives, however, has long defended the government's position. Nonetheless, it now says that falling interest rates and three consecutive years of big harvests have lowered rice production costs.

It also says that criticism of Japan's rice prices, which are eight to 10 times the world price, had been another factor behind the decision.

Nonetheless, the union continues to argue that Japan must be self-sufficient in rice for security reasons and that farmers must be protected from foreign competition.

Kenya's horticultural revolution

BY ANDREW BUCKOKE IN NAIROBI

MORE THAN 3m kg of the french beans eaten in France last year were raised by peasant farmers in the tropical earth of Kenya. Britain bought a similar amount.

French beans are just part of the wide range of fresh vegetables, fruits and flowers that is now Kenya's fourth largest foreign exchange earner, after coffee, tourism and tea. In 1986 36m kg of horticultural exports worth Ksh 630m (£25m) to Kenya were flown out, according to the Horticultural Crops Development Authority. This represented a 37 per cent increase in value and a 20 per cent increase in volume compared with 1985.

Britain took 44 per cent of the exports, mostly in vegetables and fruits; West Germany 14 per cent, mostly in carnations grown by Sulmac, a subsidiary of Brook Bond Kenya, and sold to the German international flower trader Florimex; France 13 per cent, almost all in french beans; and the Netherlands 12.7 per cent, mostly in flowers to be sold to international buyers at the Dutch auctions.

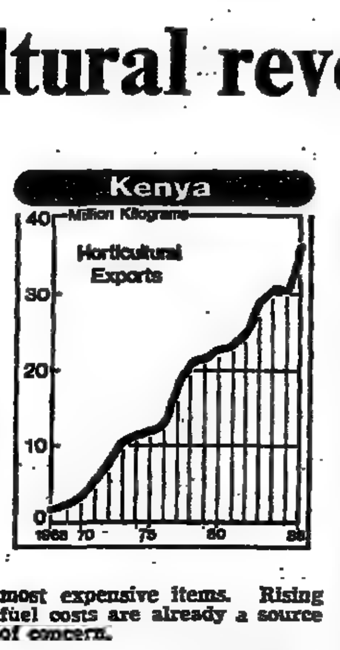
The growth in horticultural exports has been spectacular. According to figures kept by the authority, less than 1.5m kgs were exported in 1968, rising to 22m kgs in 1980, and 31m kgs in 1984. What is remarkable is that this growth has been generated by private farmers without subsidies or, except for the guidance of the development authority, any other government or outside assistance.

The 8.2m kgs of cut flower exports that contributed Ksh 247m last year were almost all grown by two large firms, Sulmac and the privately-owned Oserian Development Company. But most of the vegetables and fruits were grown by smallholders dotted all over the country, wherever there are suitable conditions.

French beans are the most important single vegetable, with 9.1m kgs worth Ksh 156m exported last year. But about 20 others are grown for export, including a wide range of Asian vegetables, such as okra and chillies, in high demand in London and other cities with large Asian populations.

Mangoes, at 2.9m kgs, generated Ksh 50m, and 2.1m kgs of avocadoes Ksh 17m. Exports of these and other tropical fruits, such as pineapples, pawpaws and passion fruits and temperate ones, such as strawberries, are all ripe for expansion. The Nairobi market features tempting piles of fragrant fruits and vegetables of nearly every variety in the world, and on past performance the Government's target of 10 per cent annual growth in horticultural exports to the year 2000 appears reasonable.

The most likely obstacle, however, is a transport bottleneck. Horticultural exports have already absorbed all the available space on the many passenger and cargo planes that Nairobi attracts as a tourist and communications centre for the region. Chartering aircraft to fly down empty from Europe, when existing freight charges account for up to half the value of the exports in Europe, will be prohibitive for all but the most expensive items. Rising fuel costs are already a source of concern.



Shipping is the obvious solution and several experimental consignments have been sent in cooled containers — without providing any useful conclusions according to the development authority. But this presents several difficulties apart from its limitation to crops that can be stored for at least three weeks, even if cooled, ruling out flowers and many vegetables. Many of the crops are grown in the fertile highlands near Nairobi, or even further west towards the lakes, and would have to be taken by cooled railway wagons or trucks to the steamy coastal port of Mombasa, where cold storage facilities like those at Jomo Kenyatta Airport in Nairobi would have to be built to consolidate cargoes.

Given the entrepreneurial spirit of the farmers and the growing realisation of the need to diversify exports away from vulnerable single commodities such as tea and coffee, these difficulties may be overcome, however.

Apart from the limited contribution sea freight may offer, the authority sees two routes to the continued growth of export earnings. One is to increase the quality, often a problem with scattered smallholders, and value of the crops using existing air freight space and the other to expand the export of processed products.

Cans and cartons of fruit and juices of reasonable quality are widely available locally, and freezing and drying should present no difficulties, but the world market for processed horticultural products is very competitive. The growth of horticultural exports from Kenya has so far depended on the much higher value of the fresh tropical or off-season fruits, vegetables and flowers that its position as a natural greenhouse enables it to produce and its position as a major African air communications centre has enabled it to export.

Future growth will be much harder to achieve, and a serious threat hangs over the existing trade — comprehensive sanctions against South Africa would remove a major competitor, but would also probably mean the cancellation of the 18 transit departures to Europe from Nairobi each week. Flights by cargo and passenger aircraft indirectly dependent on links with South Africa would also be cut.

LONDON MARKETS

ZINC prices continued to subside from recent highs yesterday with LME values registering falls for the third day in succession. The cash positions £10.50 fall took the aggregate to £51, easily outweighing Monday's £31 rise, which dealers now regard as an overreaction to news of a strike at Cominco's Trail/Kimberley complex in British Columbia. The market had fallen lower in the morning but steadied later as speculators began to cover forward sales. Dealers also noted signs of chart-based support at the lower levels. Copper and aluminium markets were also weak with cash aluminium losing all but 25p of Wednesday's £23.75 rise on profit-taking and dollar-based Japanese selling. Japanese had been quoted as a significant factor in the rise earlier in the week. Cash Grade A copper's £11.50 fall to £905.50 a tonne led many traders to conclude that the market had now lost its basic upward momentum and was unlikely to break through resistance areas some £15 or £16 above the current level.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	866-7	—23.50	—
3 months	865-6	—17.75	869/856

Official closing (am): Cash 882-3 (889-90), three months 880-1 (881-2), settlement 883 (890). Final kerb close: 86-7. Turnover: 53,375 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	905-6	—11.50	909/906
3 months	884-5	—11.00	899/882

Official closing (am): Cash 908-8.5 (915.5-6.5), three months 887.5-8 (896.5-896), settlement 908.5 (916.5). Final kerb close: [illegible].

Standard			
Cash	866-60	20—	—
3 months	850-6	19—	860

Official closing (am): Cash 865-70 (880-5), three months 858-60 (868-70), settlement 870 (885). US producer prices: 71.5-75 cents per lb. Total turnover: 28,850 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	424-5	+1.00	427/422
3 months	367-7.5	+1.25	365/360

Official closing (am): Cash 421-2 (418-9), three months 363-4 (368-8.5), settlement 422 (419). Final kerb close: 364-5. Turnover: 15,325 tonnes. US spot: 24-35 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2805-15	+30	2820/2790
3 months	2795-800	+25	2815/2790

Official closing (am): Cash 2780-90 (2765-70), three months 2780-90 (2760-1), settlement 2790 (2770). Final kerb close: 2780-90. Turnover: 1,596 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	503-4	—10.50	505/499
3 months	502-5	—9.25	508/491

Official closing (am): Cash 499-500 (520-1), three months 499-9.5 (516.5-17.5), settlement 500 (521). Final kerb close: 493-3.5. Turnover: 9,125 tonnes. US prime western: 41.5-45.75 cents per lb.

TIN

KUALA LUMPUR TIN MARKET: Close 16.67 (16.69) ringgit per kg. Down 0.02 ringgit per kg.

SILVER

Silver was fixed 4.5p an ounce lower for spot delivery at 516.95p. US cent equivalents of the fixing levels were: spot 865c, down 4.5c; three-month 880.05c, down 4.9c; six-month 895.05c, down 5.05c; and 12-month 924.80c, down 5.4c. The metal opened at 515-519p (860-865c) and closed at 520-524p (873-878c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	516.95p	—4.50	521.5p	—0.5
3 months	527.85p	—4.85	532.5p	—0.5
6 months	537.95p	—5.05	—	—
12 months	556.70p	—6.10	—	—

LME—Turnover: 6 (8) lots of 10,000 ounces.

Three months high 528p, low 525p, final kerb 533-5p.

GOLD

Gold fell just $½ an ounce from Wednesday's close in the London bullion market yesterday to finish at $460½-461. The metal opened at $458-458½ and traded between a high of $461¼-461¾ and a low of $458-458½. Trading was a little uncertain with speculators still trying to assess future dollar movements after the US trade figures.

GOLD BULLION (fine ounce)		May 14
Close	$460½-461	(£274¼-274¾)
Opening	$458-458½	(£274½-275)
M'n'g fix	$460.00	(£275.565)
Aft'n'n fix	$461.05	(£274.631)

GOLD AND PLATINUM COINS		
Am Eagle	$474-479	(£282¼-285¼)
Mapleleaf	$472¾-477¼	(£281¾-284¼)
Kr'g'r'nd	$461-464	(£274¾-276¼)
½ Krug	$234½-235½	(£139¾-140¼)
¼ Krug	$118½-119½	(£70½-71½)
Angel	$471-474	(£280½-282½)
1/10 Angel	$45½-50½	(£27¼-30¼)
New Sov	$108½-109½	(£64¾-65¼)
Old Sov	$109-110½	(£65-65¼)
$20 Eagle	$500-550	(£297¾-327¾)
Noble Plat	$628¼-635¼	(£374½-378½)

RUBBER

PHYSICALS—Closing prices (buyers): Spot 61.50p (same); June 61.25p (same); July 60.75p (same). The Kuala Lumpur fob price (Malaysian/Singapore cents) per kg: RSS No 1 232.0 (230.5); SMR 20 199.5 (198.5).

FUTURES—Index 581, June 580-583, July 580-583, July/Sept 580-583. Sales: Nil.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.54p per kg lw (+1.84). GB—Sheep 289.04p per kg est dcw (+5.76). GB—Pigs 82.75p per kg lw (+5.85).

INDICES

REUTERS

May 14	May 13	M'th ago	Year ago
1613.2	1616.4	1562.5	1774.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	May 13	May 12	M'th ago	Year ago
Spot	129.49	129.83	—	128.66
Fut	129.57	129.75	—	132.25

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	May 14 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1585/555	—25	$1430/470
Copper			
Cash Grade A	£905.5	+11.5	£925
3 months	£884.5	—11	£881.5
Gold Troy oz	$460.75	—0.5	$439.25
Lead Cash	£424.5	+11	£367
3 months	£367.25	+0.5	£325.75
Nickel			
Free Mkt	212/232c	+3	178/195c
Palladium oz	$149.25	+0.25	$138.30
Platinum oz	$610.00	—4.50	$584.00
Quicksilver†	$270/280		$220/230
Silver troy oz	516.95p	—4.50	441.65p
3 months	527.85p	—4.85	452.00p
Tin			
free Mkt	£4110/140	—20	£4210/240
Tungsten	$48.93		$48.37
Wolfram 22.04lb	$50/55		$50/55
Zinc	£503.5	—10.5	£457.5
3 months	£502.5	—9.25	£457.75
producers	$790/840		$790
OILS			
Coconut (Phil)	$415u	—5	$407.5
Palm Malayan	$357.5v	+7.5	$350
Seeds			
Copra (Phil)	$265u		$250
Soyabean (U.S.)	$158	+1	$140
GRAINS			
Barley Fut. Sept	£97.55	—1.05	£99.45
Maize	£149.00	+3	£143.25
Wheat Fut. July	£122.20	—0.25	£124.60
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. July	£1286	—6	£1335.5
Coffee Ft. July	£1361	+4.5	£1295
Cotton A Ind.*	75.70c	+0.45	66.75c
Gas Oil July	$155.75	—1	$142.75
Rubber (kilo)	61.5p		61.5p
Sugar (raw)	$177u	—1	$178
Wooltops 64s	461p kilo		471p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. w June-Aug. v July. u May-June.

COFFEE

Robustas traded in generally tight conditions within a narrow range, reports Drexel Burnham Lambert. Light spill-over trade hedging was unable to depress the market with commission scale-down buying providing the support. A firm New York market and book-squaring left the market a touch steadier.

COFFEE	Yesterday's close	+ or —	Business Done
May	1350-1357	+2.5	1355-1350
July	1360-1362	+4.5	1364-1349
Sept	1375-1377	—0.5	1380-1367
Nov	1392-1393	—4.0	1397-1383
Jan	1409-1415	—3.5	1414-1404
Mar	1427-1428	—14.0	1432-1428
May	1450-1470	—10.0	—

Sales: 2,533 (2,576) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for May 13: Comp daily 1979 112.73 (112.66): 15-day average 110.44 (110.01).

COCOA

Having made the levels lows, 210 lower than the previous close, futures rallied briefly but ended the day at the mid-point of the traded range. Light consumer interest was seen at the lows but producers were withdrawn, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
May	1280-1283	—6.0	1285-1280
July	1285-1287	—6.0	1290-1281
Sept	1301-1302	—6.0	1305-1295
Dec	1327-1329	—2.0	1329-1323
March	1355-1357	—1.5	1355-1350
May	1373-1377	—2.0	1375-1370
July	1392-1397	—2.5	1395-1390

Sales: 2,971 (4,250) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for May 14: 1609.18 (1616.63); 10-day average for May 15: 1607.98 (1606.37).

FREIGHT FUTURES

After opening 30 points higher trading continued in a very nervous and erratic manner moving as much as 20 points between trades. Despite a 14½ point rise in the BFI the afternoon saw levels generally depressed, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	1050/1051	1080/1049	1059
Oct.	1039/1049	1075/1044	1050/1060
Jan.	1030/1048	—	1045/1050
Apr.	1020/1070	—	1030/1055
July	900/950	—	900
Oct.	880/870	—	860
Jan.	920/970	—	930/940
April	1070/1100	—	1070
BFI.	1102	—	1087.5

Turnover: 528 (670).

GRAINS

Old crop wheat saw a narrowing of the May/July spread influenced by May shipper short-covering. New crop wheat held strong selling pressure from trade and country hedge resistance, but barley collapsed on lack of bids fuelled by speculative selling interest, reflecting the European parliament finance discussions which seem to favour initial EC proposals, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
May	120.90	+0.85	106.50	—
July	122.20	—0.25	—	—
Sep.	101.65	—0.10	97.55	—1.05
Nov.	103.55	—0.35	100.00	—1.00
Jan.	106.20	—0.50	102.40	—1.00
Mar.	108.60	—0.25	104.85	—1.00
May	111.45	—0.10	106.55	—1.00

LONDON GRAINS—Wheat: US hard winter 13½ per cent Jun/Jul 96.50, Aug 96.00. US no. 2 soft red winter Jun 95.25, Jul 93.75, Aug 94.50. French 11½-12 per cent May 149.00. English feed fob May 123.00 paid Boston, Jun 124.50 seller, Sep 103.00/104.00, Oct/Dec 106.50/107.00 buyer/sellers, Oct/Mar 109.25 sellers. Maize: US no. 3 yellow/French transhipment east coast May 149.00. Barley: English feed fob Jun 112.00/113.00 buyer/sellers English, 111.00/112.00 Scottish, Jul 20/Aug 10 99.00/99.50 buyer/sellers, Aug 100.00, Sep 102.00, Oct/Dec 105.00 sellers.

HGCA—Locational ex-farm spot prices. Feed Barley: N. West 109.80. The UK monetary coefficient for the week beginning Monday May 18 will remain unchanged.

Business done—Wheat: May 120.90-20.70, July 122.20, Sept 101.65-1.55, Nov 103.70-3.55, Jan 106.35-6.15, Mar 108.70-8.60, May 111.50-1.45. Sales: 178 lots of 100 tonnes. Barley: May 106.50-6.00, Sept 98.40-7.55, Nov 100.70-100.00, Jan 103.20-2.40, Mar 105.65-4.85, May untraded. Sales: 83 lots of 100 tonnes.

POTATOES

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	91.00	91.50	91.00-90.50
Feb.	100.50	100.30	—
Apr.	124.90	124.80	124.50-123.80
May	137.00	137.80	—

Sales: 359 (319) lots of 40 tonnes.

US MARKETS

COMMISSION HOUSE and local short-covering late in the session steadied the precious metals futures, reports Drexel Burnham Lambert. Earlier, the gold, silver and platinum were al dominated by local trading which held the markets steady in light volume. A brief dip to the lows was prompted by light profit-taking. Copper futures closed steady in light volume with no major feature. Light trade and commission house buying in crude oil futures held prices steady in an otherwise quiet market. Commission house buying and short-covering steadied coffee futures. In cocoa commission house and light trade buying firmed the market, but in quiet trading. Sugar firmed on trade buying. In cotton and orange juice futures continued commission house buying held the markets steady. Wheat futures fell reflecting the fall in terminal prices, while increased concern over long-range weather forecasts steadied maize and soyabean futures. Heavy long-liquidation in both the cattle and pork belly futures reflected both good movements of physicals and easier cash prices, while in hog futures firmer cash prices supported the market.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	Prev	High	Low
May	71.50	72.50	72.00	71.50
June	70.15	71.00	—	—
July	69.20	69.90	69.25	68.70
Sept	67.50	67.75	67.50	67.50
Dec	66.50	67.00	66.50	66.50
Jan	66.60	67.00	—	—
March	66.60	67.00	—	—
May	66.60	67.00	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
May	1959	1962	1979	1960
July	1993	1987	2000	1982
Sept	2020	2016	2024	2008
Dec	2053	2047	2054	2042
March	2083	2075	2087	2076
May	2108	2105	—	—
July	2136	2132	—	—

COFFEE "C" 37,500 lbs, cents/lb

	Close	Prev	High	Low
May	124.13	123.80	124.70	122.80
July	123.48	123.75	124.75	122.60
Sept	123.42	122.85	124.75	122.75
Dec	124.27	124.34	125.70	124.00
March	125.52	125.50	125.40	125.30
May	126.00	124.50	—	—
July	125.80	126.13	—	—
Sept	125.25	124.38	—	—

COPPER 25,000 lbs, cents/lb

	Close	Prev	High	Low
May	67.80	67.75	67.90	67.50
June	67.25	67.20	67.00	67.00
July	66.80	66.65	67.15	66.35
Sept	65.95	65.85	66.15	65.45
Dec	66.15	66.00	66.25	65.85
Jan	66.25	66.10	—	—
March	66.40	66.20	66.20	66.00
May	66.70	66.55	66.50	66.40
July	67.00	66.85	—	—
Sept	67.30	67.15	—	—

COTTON 50,000 lbs, cents/lb

	Close	Prev	High	Low
July	70.72	69.18	71.05	69.60
Oct	70.35	68.85	70.45	69.35
Dec	69.70	68.12	70.10	68.75
March	70.30	68.50	70.30	69.75
May	70.58	69.05	70.85	70.25
July	70.55	69.20	70.50	70.55
Oct	67.10	67.35	68.00	68.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
June	19.46	19.41	19.50	19.30
July	19.06	19.01	19.07	18.90
August	18.82	18.81	18.83	18.68
Sept	18.75	18.72	18.75	18.60
Oct	18.66	18.67	18.66	18.57
Nov	18.64	18.64	18.65	18.54
Dec	18.60	18.61	18.60	18.51
Jan	18.52	18.50	18.52	18.50
Feb	18.50	18.55	18.50	18.45

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
May	464.2	458.4	460.5	460.5
June	465.8	460.0	466.0	422.3
July	468.4	462.8	468.5	465.5
Aug	471.2	465.6	471.5	467.5
Oct	476.8	471.2	477.2	472.0
Dec	482.6	476.9	483.0	478.5
Feb	488.5	483.1	488.5	485.5
April	494.8	489.1	496.0	493.0
June	501.0	495.4	498.5	497.0
Oct	514.4	508.7	513.0	511.0
Dec	521.2	515.5	522.0	517.0
Feb	528.1	522.4	528.5	526.5

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
June	52.00	51.85	52.20	50.80
July	51.40	51.32	51.50	50.85
August	51.40	51.60	51.45	50.85
Sept	51.90	52.25	51.95	51.50
Oct	52.55	52.90	52.60	52.25
Nov	53.20	53.55	53.25	52.90
Dec	53.75	54.20	53.75	53.60

ORANGE JUICE 15,000 lbs, cents/lb

	Close	Prev	High	Low
May	143.00	138.50	143.00	137.50
July	133.00	132.60	133.50	132.35
Sept	128.35	130.30	130.45	128.20
Nov	127.00	127.40	127.00	127.00
Jan	126.60	126.90	—	—
March	126.60	126.95	—	—
May	126.60	126.95	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
June	614.6	602.9	—	—
July	617.1	605.4	619.0	611.5
Oct	623.8	612.4	624.5	619.0
Jan	630.8	619.4	630.0	626.5
April	637.8	626.4	634.5	632.0
July	645.3	633.4	646.0	641.5

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
May	878.5	864.5	878.0	871.5
June	881.5	867.5	882.0	872.0
July	887.0	873.0	890.0	878.0
Sept	878.2	884.2	900.0	888.0
Dec	916.0	902.0	920.0	909.0
Jan	922.0	908.0	—	—
March	933.9	919.7	934.0	925.0
May	946.8	932.5	943.0	941.0
July	960.2	946.0	—	—

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	Prev	High	Low
July	7.17	7.06	7.18	7.01
Sept	7.20	7.10	7.40	7.20
Oct	7.52	7.37	7.54	7.33
Jan	7.71	7.50	—	—
March	7.81	7.74	7.92	7.72
May	8.05	7.88	7.94	7.94
July	8.18	8.01	8.19	8.00
Oct	8.34	8.17	8.17	8.17

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	67.07	67.37	68.00	66.87
August	61.25	61.25	61.90	61.05
Oct	60.82	60.30	61.22	60.50
Dec	62.12	61.45	62.30	61.60
Feb	62.12	61.80	62.35	61.75
April	63.20	62.80	63.25	63.00
June	62.92	62.92	63.10	—

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	55.35	54.90	55.90	54.90
July	51.47	51.15	52.15	51.15
August	47.27	47.35	48.20	46.95
Oct	42.85	42.50	43.30	42.55
Dec	42.75	42.27	42.90	42.35
Feb	41.75	41.50	42.40	41.60
April	39.75	39.32	40.20	39.75
June	41.85	41.70	41.85	41.70
July	41.10	40.92	41.10	—

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	Prev	High	Low
May	189.0	185.8	189.0	186.0
July	195.4	191.4	196.0	192.0
Sept	200.0	195.4	200.8	196.0
Dec	206.6	200.2	208.2	203.0
March	213.4	207.4	215.0	209.0
May	215.6	208.4	217.4	213.0
July	216.6	210.4	218.4	214.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
May	70.82	72.82	73.07	70.82
July	67.95	69.35	70.25	67.45
August	63.70	64.85	65.60	63.20
Feb	56.95	58.25	57.95	56.60
March	56.62	58.00	57.50	56.62
May	57.90	58.10	58.60	57.90

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
May	576.0	562.4	580.0	565.0
July	583.4	571.2	582.4	576.4
Aug	591.4	576.0	595.0	581.0
Sept	596.0	579.0	600.0	584.0
Nov	603.4	586.2	610.0	590.0
Jan	611.0	593.4	618.0	599.0
March	622.6	602.4	626.0	609.0
May	623.0	608.0	624.0	617.0
July	629.4	609.0	633.0	621.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
May	177.0	172.0	177.2	172.8
July	175.2	170.8	175.8	171.5
August	176.2	171.7	177.0	172.5
Sept	177.7	172.0	179.0	174.0
Oct	179.0	173.2	181.5	176.0
Dec	181.2	175.7	183.5	177.5
Jan	183.5	178.0	184.0	179.0
March	186.5	181.0	188.0	181.0
May	187.0	181.5	188.5	187.5
July	187.0	181.5	188.5	187.5

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	Prev	High	Low
May	17.28	17.22	17.60	17.05
July	17.58	17.47	17.95	17.25
Aug	17.80	17.67	18.04	17.46
Sept	17.87	17.84	18.25	17.70
Oct	18.16	18.07	18.45	17.95
Dec	18.47	18.35	18.75	18.20
Jan	18.55	18.47	18.85	18.40
March	18.65	18.75	19.00	18.74
May	19.10	18.85	19.25	18.90
July	19.10	18.85	19.30	19.00

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	Prev	High	Low
May	309.0	313.0	310.0	304.0
July	301.6	302.2	304.0	297.4
Sept	304.0	304.6	307.6	300.0
Dec	311.0	311.4	313.4	308.0
March	311.4	312.4	313.0	309.0
May	307.0	305.0	310.0	306.0

SOYABEAN MEAL

Good commercial buying pushed higher throughout the day with only scale-up option hedge selling stemming the rally, reports Muirpace.

	Yesterday's close £ per tonne	+ or —	Business done
June	126.5-128.0	+3.25	126.0
August	125.0-125.5	+2.55	125.0-124.0
October	126.0-126.5	+2.80	126.0-124.5
Dec	127.5-127.5	+2.75	126.5-126.5
Feb	130.0-131.0	+2.75	—
April	130.0-132.0	+2.75	—
June	128.0-133.0	+2.50	—

Sales: 408 (75) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $177.00 (£106.00), down $1.00 (down £1.00) a tonne for May-June delivery. White sugar $191.00, unchanged.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	182.0-182.8	183.6-159.2	183.0-182.0
Oct	166.4-166.8	164.8-165.8	166.6-163.0
Dec	171.4-171.8	167.2-168.8	168.6-168.8
Mar	176.2-176.8	172.8-175.8	176.6-171.8
May	176.2-166.8	175.8-176.4	176.4-175.5
Aug	185.8-185.6	180.8-180.4	—
Oct	185.0-185.4	180.8-181.4	—

Sales: 3,948 (1,308) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £210.00 (£211.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for May 13: Daily price 6.76 (6.66); 15-day average 6.75 (6.71).

OIL

Crude prices were stable in a very thin market. June WTI opened 5c down on Nymex and traded 3c up at 1.30 pm EDT. In the petroleum products market gas oil weakened on limited buying interest. Gasoline and naphtha remained stable as traders stood off from markets apparently covered. The fuel market was inactive—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—June		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.05-17.10*	—0.05
Brent Blend	18.70-18.80	—0.025
W.T.I. (1pm est)	19.40-19.45	—0.05
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	202-205	—
Gas Oil	153-155	—2
Heavy fuel Oil	110-112	—1
Naphtha	173-175	—

* July

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yestrdy's close US$ per tonne	+ or —	Business Done
June	154.25	—1.00	155.50-53.50
July	153.75	—1.00	155.00-53.00
Aug	154.50	—1.00	155.75-54.00
Sept	156.25	—1.00	157.50-56.25
Oct	158.50	—1.00	158.50-58.50

Turnover: 2,634 (2,448) lots of 100 tonnes.

Copper deficit forecast

COPPER CONSUMPTION in non-socialist countries is expected to continue increasing this year, according to the International Wrought Copper Council.

The council said consumption and production rose by 2.6 per cent in 1986. In 1987 consumption is expected to rise by 1.4 per cent, while production is likely to remain about steady.

After deducting net exports to the Eastern Bloc, a statistical deficit of 27,000 tonnes was calculated for 1986 and a deficit of 101,000 tonnes forecast for 1987.

Environment advice campaign begins

PEOPLE IN the Midlands are to get a torrent of good advice on how to save energy and water, reduce waste and generally cut costs—from the EC. The community experiment is part of European Environment Year.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures disappoint

THE DOLLAR finished on a weaker note following the release of US trade figures. These showed a March deficit of $13.6bn which was down from the previous figure of $15.1bn but a lot worse than some expectations.

There was a general feeling that the size of the US deficit had reached its peak and that the shortfall would narrow later this year. There was, however, no immediate acceptance since traders were unwilling to change market sentiment on the basis of one set of figures.

The dollar closed at DM 1.7870 down from DM 1.7900 and Y139.50 compared with Y139.70. Elsewhere it slipped to SFr 1.4690 from SFr 1.4710 and FFr 5.9625 compared with FFr 5.97. On Bank of England figures, the dollar's exchange rate index fell to 100.1 from 100.4.

Traders were unsure about the dollar's direction from now on. So much had been set store by the trade figures and traders were unwilling to make any clear decision about the dollar's trend.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. April average 1.6316. Exchange rate index 73.7 against 73.6 at the opening and 73.5 on Wednesday night. The six-months-ago figure was 68.3.

The pound was boosted by two opinion polls which both showed a clear lead for the Conservative Party. In addition unemployment figures showed a small decline while average earnings figures were much in line with expectations. Continued resistance to a cut in interest rates by the authorities tended to add to sterling's attraction and it closed at $1.6780 up from $1.6715 and DM 2.9975 compared with DM 2.9925. It was also higher against the yen at Y234.10 from Y233.50 and closed elsewhere at SFr 2.4650 from SFr 2.4600 and FFr 10.0050 compared with FFr 9.98.

D-MARK—Trading range against the dollar in 1987 is 1.9385 to 1.7690. April average 1.8112. Exchange rate index 147.1 against 142.8 six months ago.

News of a small contraction in the US trade deficit failed to stop the dollar from finishing slightly lower in Frankfurt. It closed at DM 1.7865 from DM 1.7940 on Wednesday. While a step in the right direction, the size of the contraction appeared to disappoint market traders.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. April average 142.88. Exchange rate index 226.8 against 206.2 six months ago.

Trading was relatively subdued in Tokyo as traders awaited the release of US trade figures. In addition there was a reluctance to sell dollars after a message from the Japanese Finance Ministry urging dealers to refrain from speculative trading in dollars.

The March trade deficit was expected to be slightly better than the previous months but a disappointing figure would put further downward pressure on the US unit. The latter closed at Y140.05 compared with Y140.35 in New York and Y140.15 in Tokyo on Wednesday.

NIGERIAN NAIRA—In Lagos the naira slipped to 4.1201 to the dollar at the latest auction, its lowest level for seven months. At the previous auction two weeks ago it had been fixed at DM 3.9999 and yesterday's rate represented a depreciation of over 63 per cent since the opening of exchange controls.

£ IN NEW YORK

May 14	Latest	Previous Close
£ Spot	1.6640-1.6650	1.6690-1.6600
1 month	0.30-0.27 pm	0.26-0.25 pm
3 months	0.67-0.63 pm	0.63-0.60 pm
12 months	1.30-1.20 pm	1.24-1.16 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	May 14	Previous
8.30 am	73.6	73.4
9.00 am	73.6	73.5
10.00 am	73.6	73.4
11.00 am	73.7	73.5
Noon	73.6	73.5
1.00 pm	73.7	73.5
2.00 pm	73.7	73.5
3.00 pm	73.7	73.5
4.00 pm	73.7	73.5

CURRENCY RATES

May 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.692509
U.S. Dollar	5.5	"	1.15856
Canadian $	7.90	"	1.55145
Austrian Sch.	4	N/A	14.6106
Belgian Franc	8	"	43.0954
Danish Krone	7	"	7.81389
Deutsche Mark	3.0	"	2.07787
Neth. Guilder	4½	"	2.34179
French Franc	9½	"	6.93686
Italian Lira	11.5	"	1505.25
Japanese Yen	2½	"	162.082
Norway Krone	8	"	7.73510
Spanish Peseta	—	"	145.399
Swedish Krona	7½	"	7.25720
Swiss Franc	3.5	"	1.70829
Greek Drach.	20½	"	154.540
Irish Punt	—	"	0.777099

*CS/SDR rate for May 12: 1.74348.

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

	£	$
Malaysia	4.1375-4.1485	2.4685-2.4700
Mexico	2040.65-2062.00	1217.00-1229.00
N. Zealand	2.9015-2.9090	1.7300-1.7330
Saudi Ar.	6.2800-6.2860	3.7495-3.7505
Singapore	3.5540-3.5625	2.1200-2.1215
S. Af. (Cm)	3.3440-3.3695	2.0040-2.0080
S. Af. (Fn)	5.3200-5.4940	3.1745-3.2785
Taiwan	54.20-54.30	32.40-32.50
U.A.E.	6.1510-6.1570	3.0725-3.0735

*Selling rate

Correction for May 12; U.A.E. $3.6725—3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0954	+1.50	+0.77	±1.5344
Danish Krone	7.85212	7.81389	−0.49	−1.22	±1.6404
German D-Mark	2.05853	2.07787	+0.94	+0.21	±1.0981
French Franc	6.90403	6.93686	+0.48	−0.25	±1.3674
Dutch Guilder	2.31943	2.34179	+0.96	+0.23	±1.5012
Irish Punt	0.768411	0.777033	+1.12	+0.39	±1.6684
Italian Lira	1483.58	1505.25	+1.46	+1.30	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

May 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6675-1.6790	1.6775-1.6785	0.27-0.24c pm	1.82	0.63-0.58 pm	1.44
Canada	2.2326-2.2484	2.2453-2.2484	0.26-0.17c pm	1.15	0.39-0.27 pm	0.59
Netherlands	3.37¼-3.38¼	3.37¼-3.38¼	1⅛-⅞c pm	3.55	3⅛-2⅞ pm	3.55
Belgium	62.00-62.27	62.00-62.10	14-7c pm	−2.03	29-18 dis	1.51
Denmark	11.25½-11.28¼	11.27½-11.28½	1⅛-2 ore dis	−1.80	4⅞-5¼ dis	−1.71
Ireland	1.1185-1.1225	1.1200-1.1210	0.15-0.24 p dis	−0.29	0.39-0.63 dis	−1.82
W. Germany	2.99⅛-3.00¼	2.99⅜-3.00¼	1½-1¼pf pm	5.50	4-3¾ pm	5.17
Portugal	231.85-234.15	233.17-234.15	94-165c dis	−6.65	336-428 dis	−6.54
Spain	2.0975-2.1229	2.0994-2.1029	150-240c dis	−11.13	420-535 dis	−9.09
Italy	2164½-2176¾	2169-2170	1-3 lire dis	−1.11	5-10 dis	−1.38
Norway	11.13¾-11.18½	11.15¾-11.16¼	5-5¾ ore dis	−5.¾	16-16¾ dis	−5.89
France	9.99¼-10.01½	10.00-10.01	¾-⅛ c pm	0.52	1⅞-1⅛ pm	0.50
Sweden	10.45¾-10.50½	10.47⅞-10.48¾	⅛-⅞ ore dis	−0.79	2½-3¼ dis	−1.07
Japan	233¼-234¼	233¾-234¾	1⅛-⅞ y pm	5.13	3-2¾ pm	4.91
Austria	21.05-21.12	21.09-21.12	8⅛-7¼ gro pm	4.41	24⅞-22¾ pm	4.31
Switzerland	2.46-2.47½	2.45-2.476½	1⅛-1 c pm	5.48	3⅛-2⅞pm	4.87

Belgian rate is for convertible francs. Financial franc 62.45-62.55. Six-month forward dollar 0.96-0.91 c pm. 12-month 1.27-1.17 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6675-1.6790	1.6775-1.6785	0.27-0.24c pm	1.82	0.63-0.58 pm	1.44
Ireland†	1.4880-1.4980	1.4965-1.4975	0.62-0.57c pm	4.79	1.45-1.30 pm	3.69
Canada	1.3365-1.3394	1.3380-1.3390	0.07-0.10c dis	−0.76	0.30-0.33 dis	−0.94
Netherlands	2.0090-2.0240	2.0130-2.0140	0.33-0.29c pm	1.84	1.07-1.02pm	2.07
Belgium	36.99-37.23	37.00-37.10	2pm-1 c dis	−0.16	3pm-2 dis	−0.05
Denmark	6.70½-6.75½	6.72-6.72½	1.40-1.90ore dis	−2.93	4.40-4.90 dis	−2.69
W. Germany	1.7825-1.7955	1.7865-1.7875	0.54-0.51pf pm	3.52	1.61-1.56pm	3.54
Portugal	138½-139¾	138¾-139¾	85-115c dis	−8.62	260-310 dis	−8.19
Spain	125.00-125.81	125.10-125.20	85-125c dis	−10.04	260-320 dis	−9.25
Italy	1291-1301	1292½-1293½	2.80-3.50lire dis	−2.92	8.00-10.00dis	−2.78
Norway	6.64½-6.68¾	6.64¾-6.65¼	4.00-4.30ore dis	−7.46	12.20-12.40dis	7.34
France	5.94¾-5.99¾	5.96-5.96½	0.55-0.75c dis	−1.30	1.50-1.80 dis	−1.10
Sweden	6.24-6.27¾	6.24½-6.25	1.25-1.35ore dis	−2.49	3.75-4.00 dis	−2.47
Japan	139.15-140.10	139.45-139.55	0.40-0.37y pm	3.31	1.24-1.19 pm	3.48
Austria	12.55-12.68	12.56½-12.57	3.20-2.90gro pm	2.90	9.50-8.50 pm	2.86
Switzerland	1.4650-1.4770	1.4685-1.4695	0.50-0.45c pm	3.87	1.29-1.24 pm	3.45

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.20-37.30.

EURO-CURRENCY INTEREST RATES

May 14	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	8¼-8½	8⅝-8¾	8⅞-8{11/16}	8⅝-8{11/16}	8⅝-8{11/16}	8{11/16}-8{13/16}
U.S. Dollar	6½-6¾	6¼-6⅞	6{13/16}-6{15/16}	7{11/16}-7{13/16}	7¾-7⅞	7{13/16}-7{15/16}
Can. Dollar	7-7¼	7-7¼	7⅜-7⅝	7¾-8	8¼-8½	8¾-9
D. Guilder	4⅞-5	4⅞-5	5-5⅛	5-5⅛	5⅛-5¼	5-5⅛
Sw. Franc	½-1⅛	1¼-1½	3⅛-3¼	3⅛-3¼	3{11/16}-3{13/16}	3⅞-4
Deutschmark	3⅝-3{11/16}	3⅝-3{11/16}	3⅝-3{11/16}	3⅝-3{11/16}	3⅝-3¾	3⅝-3⅞
Fr. Franc	8-8½	8⅛-8⅜	8-8¼	8¼-8½	8⅜-8⅝	8½-8{11/16}
Italian Lira	9-11	9-10½	9¾-10¼	9¾-10⅛	9⅞-10⅛	10-10½
B. Fr. (Fin.)	6¼-6⅞	6⅞-7⅛	7{1/16}-7{5/16}	7⅜-7⅝	7⅛-7⅜	7¼-7½
B. Fr. (Con.)	6⅜-6⅞	6⅞-7⅛	7-7¼	7-7¼	6½-6¾	7⅛-7⅜
Yen	3⅛-3½	3⅝-3{13/16}	3{11/16}-3{13/16}	3{11/16}-3{13/16}	3{11/16}-3¾	3{11/16}-3{13/16}
D. Krone	10-10½	10½-11	10-10½	10-10½	10¼-10¾	10⅜-10⅝
Asian $Sing	3-3¼¼	N/A	4⅛-4¼	4⅛-4¼	4¼-4⅜	4⅜-4½

Long-term Eurodollars: Two years 8⅛-8½ per cent; three years 8½-8⅞ per cent; four years 8⅝-9 per cent; five years 8⅞-9⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 14	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.678	2.998	234.1	10.01	2.465	3.378	2170.	2.247	62.05
$	0.596	1.	1.786	139.5	5.962	1.469	2.013	1293.	1.339	36.98
DM	0.334	0.560	1.	78.10	3.338	0.822	1.127	723.8	0.750	20.70
YEN	4.272	7.168	12.80	1000.	42.74	10.53	14.43	9267.	9.598	265.1
F Fr.	1.000	1.677	2.996	234.0	10.	2.464	3.376	2168.	2.246	62.02
S Fr.	0.406	0.681	1.216	94.97	4.059	1.	1.370	880.1	0.911	25.17
H Fl.	0.296	0.497	0.887	69.31	2.962	0.730	1.	642.3	0.665	18.37
Lira	0.461	0.773	1.382	107.9	4.612	1.136	1.557	1000.	1.036	28.60
C $	0.445	0.747	1.334	104.2	4.453	1.097	1.503	965.6	1.	27.62
B Fr.	1.612	2.704	4.831	377.3	16.12	[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds disappointed

THERE WAS a little disappointment on the London International Financial Futures Exchange yesterday to economic news from Britain and the US.

It was noted that the opinion polls published in the UK yesterday were good for the Conservatives and therefore were expected to be encouraging for the market. The pound was firm and an overnight rally in US Treasury bonds also helped support long-term gilt futures, but dealers said this was short-lived.

June long-term gilt futures opened at 127-04, and traded within a range of 126-28 to 127-17, before closing rather weak at 127-01, compared with 127-03 on Tuesday.

There was a little selling after news that UK unemployment fell 19,600 in April, roughly in line with expectations, but less than some forecasts.

Dealers suggested the weak close reflected predictions that room for further cuts in UK interest rates is restricted. Another cut of ½ per cent in bank base rates is expected, but the market was concerned that any further reductions would have an adverse impact on the attractiveness of longer-term government debt.

Three-month sterling deposit futures for June delivery closed unchanged at 91.37, with traders saying the market was poised between the present rate structure and a cut of ½ per cent in base rates before next month's General Election.

The US trade deficit of $13.6bn in March, compared with $15.1bn in February, was also in line with expectations, but was a disappointment following the more optimistic forecasts of around $11bn, and resulted in a decline in US bond futures.

June bonds opened at 91-08, and after touching 91-19, fell to a low of 90-23, before closing at 90-31, little changed.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
120	7.02	7.42	0.00	0.50
122	5.02	6.08	0.00	1.16
124	3.04	4.49	0.02	1.57
126	1.22	3.39	0.20	2.47
128	0.22	2.38	1.20	3.46
130	0.03	1.55	3.01	4.63
132	0.00	1.21	4.62	6.29
134	0.00	0.56	6.62	8.00

Estimated volume total, Calls 1,285 Puts 2,084
Previous day's open int: Calls 26,887 Puts 16,309

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
84	6.62	7.09	0.00	1.05
86	4.62	5.40	0.00	1.36
88	3.01	4.13	0.03	2.09
90	1.15	2.63	0.17	2.59
92	0.10	2.01	1.12	3.61
94	0.00	1.21	3.02	5.17
96	0.00	0.52	5.02	6.48
98	0.00	0.32	7.02	8.28

Estimated volume total, Calls 67 Puts 63
Previous day's open int: Calls 1,072 Puts 1,291

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last May	Calls-Last June	Puts-Last May	Puts-Last June
20000	19.30	19.76	0.00	0.46
20250	16.81	17.51	0.01	0.71
20500	14.32	15.34	0.02	1.04
20750	11.86	13.29	0.06	1.49
21000	9.48	11.37	0.18	2.07
21250	7.23	9.60	0.43	2.80
21500	5.21	7.99	0.91	3.69
21750	3.51	6.56	1.71	4.76

Estimated volume total, Calls 11 Puts 1
Previous day's open int: Calls 252 Puts 331

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.50	17.80	17.80	17.80	17.80	0.00	0.00	0.01	0.14
1.55	12.80	12.80	12.80	12.80	0.00	0.00	0.08	0.51
1.60	7.80	7.80	7.86	8.43	0.00	0.10	0.47	1.38
1.65	2.80	3.38	4.10	5.11	0.00	0.83	1.17	3.06
1.70	0.00	0.88	1.67	2.76	2.21	3.33	4.28	5.71
1.75	0.00	0.11	0.51	1.31	7.21	7.56	8.12	9.26
1.80	—	0.01	0.11	—	—	12.46	12.72	—

Estimated volume total, Calls 236 Puts 213
Previous day's open int, Calls 1,018 Puts 999

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.35	—	13.90	—	13.90	—	0.80	—	1.60
1.40	17.90	17.80	—	17.70	0.30	0.45	—	1.05
1.45	12.90	12.90	—	12.70	0.60	0.80	—	1.50
1.50	15.40	15.40	15.40	15.40	0.20	0.25	0.25	0.50
1.55	12.10	12.10	12.10	12.30	0.10	0.20	0.30	0.85
1.60	8.00	7.10	7.35	8.00	0.20	0.35	0.85	1.85
1.65	2.90	3.05	3.80	4.80	0.20	1.40	2.35	3.60
1.70	0.20	0.95	1.55	2.70	3.05	4.30	5.15	6.35

Previous day's open int: Calls 329 Puts 1,424
Volume: 2

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.600	7.60	7.30	7.70	8.70	—	0.10	0.45	1.30
1.625	5.10	5.30	5.65	6.60	—	0.20	—	2.00
1.650	2.55	3.30	3.90	4.90	—	0.80	—	2.80
1.675	0.50	1.70	2.30	—	0.25	1.75	0.85	—
1.700	—	0.85	1.55	2.75	2.10	3.20	4.00	5.40
1.725	—	0.50	0.90	1.90	4.60	5.20	5.70	7.00
1.750	—	0.10	0.45	1.45	7.20	7.50	7.70	8.80

Previous day's open int: Calls 85,794 Puts 72,431
Previous day's volume, Calls 7,399 Puts 2,203

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
92.00	0.65	0.41	0.39	—	0.00	0.32	0.56	—
92.25	0.42	0.27	0.28	—	0.02	0.43	0.70	—
92.50	0.20	0.17	0.20	—	0.05	0.58	0.87	—
92.75	0.07	0.09	0.13	—	0.17	0.75	1.05	—
93.00	0.02	0.05	0.08	—	0.37	0.96	1.25	—
93.25	0.00	0.02	0.05	—	0.60	1.18	1.47	—
93.50	0.00	0.01	0.03	—	0.85	1.42	1.70	—

Previous day's open int: Calls 1,018, Puts 999
Estimated volume, Calls 236, Puts 213

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	127-01	127-17	126-28	127-03
Sept.	126-28	127-08	126-29	126-30
Dec.	126-17	—	—	126-19

Estimated volume 27,359 (30,900)
Previous day's open int. 30,924 (31,082)

10% NOTIONAL SHORT GILT

[illegible]

THREE-MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE-MONTH EURODOLLAR

[illegible]

U.S. TREASURY BONDS 8%

[illegible]

CURRENCY FUTURES

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
June	91-03	91-23	90-27	91-09
Sept.	90-02	90-24	89-28	90-09
Dec.	89-04	89-25	88-31	89-12
Mar.	88-07	88-29	88-05	88-17
June	87-13	88-04	87-13	87-24
Sept.	86-23	87-10	86-23	87-01
Dec.	—	—	—	86-11
Mar.	—	—	—	85-23
June	—	—	—	[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
June	0.7184	0.7204	0.7158	0.7151
Sept.	0.7252	0.7270	0.7223	0.7215
Dec.	0.7330	0.7330	0.7300	0.7285
Mar.	—	—	—	0.7359
June	0.7460	0.7475	0.7475	0.7437

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

SWISS FRANC (IMM)

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

MONEY MARKETS

Confident tone in London

THE DOWNWARD TREND in London money market rates was renewed yesterday, in favourable reaction to the latest public opinion polls, giving the Conservatives a substantial lead over the opposition parties.

This boosted sterling on the foreign exchanges, and encouraged a downward drift in London interbank interest rates. Three-month money fell to 8{11/16}-8{9/16} per cent from 8¾-8⅝ per cent.

Mr James Baker, US Treasury Secretary, said he believed the recent rise in US rates was "a temporary blip upwards," and yesterday's US trade figures were generally in line with most forecasts. Economists had predicted a March deficit of about $12bn to $14bn, compared with $15.1bn in February, and the published figures of $13.6bn had little impact on the market.

UK clearing bank base lending rate 9 per cent since May 8

A fall of 19,600 in April UK unemployment was in line with expectations, taking the jobless figure down to slightly over 3m, or 10.9 per cent of the workforce, but added to the confident tone in the market.

The Bank of England forecast a money market surplus of £100m. The authorities did not operate in the market before lunch, but in the afternoon sold £120m Treasury bills, due May 21, at 8½-8⅝ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £115m, with a rise in the note circulation absorbing £95m. These outweighed Exchequer transactions adding £320m to liquidity and bank balances above target of £10m.

In Frankfurt call money was steady at 3.60 per cent, after the West German Bundesbank drained liquidity at Tuesday's 28-day securities repurchase agreement tender. The Bundesbank allocated funds at 3.55 per cent, after cutting the minimum bid rate to 3.50 per cent, from the previous fixed level of 3.80 per cent.

Bids of DM 9.5bn were accepted at the tender, compared with expiring agreements of DM 12.4bn.

The rate on three-day Treasury bills was cut to 3.20 per cent from 3.50 per cent. This is effectively the floor level for call money, because the Bundesbank sells these bills to banks at times of surplus liquidity in the market.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

LONDON MONEY RATES

[illegible]

Company Notice

To the Holders of

MIDDLETOWN TRUST 10½% NOTES
SERIES A DUE 1993

NOTICE IS HEREBY GIVEN that, pursuant to Article Eleven of the General Covenant, for the Sinking Fund due July 15, 1987 US$6,450,000 of the Notes will be redeemed at 100% of their principal amount plus accrued interest to July 15, 1987, when interest on the Notes redeemed shall cease to accrue. Following the above redemption, US$55,710,000 Series A Notes, US$102,885,000 10⅞% Notes Series B due 1998 and US$37,205,000 11¾% Notes Series C due 2010 will remain outstanding.

The redemption price and accrued interest are payable against surrender of the Bearer Notes together with all coupons maturing subsequent to July 15, 1987 at the offices of the Paying Agents outside of the United States listed below:

The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD, England.

Chase Manhattan Bank Luxembourg, S.A., 47 Boulevard Royal, Luxembourg Ville, Luxembourg.

Banque Bruxelles Lambert, Avenue Marnix 24, 1050 Brussels, Belgium.

Chase Manhattan Bank (Switzerland) Genferstrasse 24, 8027 Zurich, Switzerland.

The redemption price and accrued interest on the Registered Notes are payable at the office of the Registrar, Transfer Agent and Paying Agent, The Chase Manhattan Bank, N.A., Corporate Trust Administration, 1 New York Plaza, New York, New York 10081

A further notice will be published specifying the serial numbers of the Bearer Notes called for redemption.

THE CONNECTICUT BANK AND TRUST COMPANY
NATIONAL ASSOCIATION,
as TRUSTEE

Dated: May 15 1987

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, May 13, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.15642 SDR1=$US1.30241
As of May 13, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7{1/16}	7{7/16}
Sibor:	7{1/16}	7{7/16}

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.0643
Algeria	Dinar	4.63
Andorra	French Franc	5.9968
	Spanish Peseta	125.81
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral	1.583
Aruba	Florin	1.79
[illegible]		
Gibraltar	Pound*	1.6655
Greece	Drachma	133.78
Greenland	Danish Krone	6.754
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	5.9968
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, f)	2.63
[illegible]		
Papua New Guinea	Kina	0.8937
Paraguay	Guarani (o)	240.00
	Guarani (p)	550.00
	Guarani (d)	783.50
Peru	Inti (o) (a)	15.22
	Inti (f)	23.25
	Inti (f)	19.025
Philippines	Peso	20.48
[illegible]		

For further information please contact your local branch of the Bank of America.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 13 1987					TUESDAY MAY 12 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	138.51	−0.1	122.86	129.30	2.77	138.61	123.05	128.70	138.61	99.92	91.77
Austria (16)	89.81	−0.8	79.66	83.66	2.25	90.50	80.35	83.97	101.62	89.81	90.26
Belgium (47)	121.07	+0.5	107.39	111.51	4.26	120.48	106.96	110.97	122.35	96.19	81.96
Canada (131)	130.96	+0.0	116.17	126.98	2.35	130.99	116.29	126.68	136.17	100.00	99.98
Denmark (39)	117.35	−0.4	104.09	107.69	2.48	117.78	104.56	107.69	124.10	98.18	101.11
France (122)	120.05	−0.5	106.49	112.43	2.46	120.71	107.16	113.13	121.82	98.39	95.42
West Germany (90)	94.35	+0.7	83.69	87.80	2.13	93.73	83.21	87.12	100.33	84.00	86.21
Hong Kong (45)	107.95	−0.6	95.76	108.16	3.05	108.57	96.39	108.75	114.71	96.89	73.13
Ireland (14)	129.83	+0.6	115.16	122.43	3.48	129.07	114.58	121.61	131.44	99.50	94.08
Italy (76)	104.59	−0.9	92.77	101.11	1.63	105.55	93.70	101.84	112.11	94.76	101.27
Japan (458)	158.33	−1.4	140.44	139.82	0.47	160.56	142.54	141.58	161.28	100.00	75.98
Malaysia (36)	157.59	+1.5	139.79	150.04	2.53	155.26	137.83	147.66	157.59	98.24	70.16
Mexico (14)	162.35	−3.1	144.01	216.55	1.01	167.54	148.74	223.11	197.27	99.72	50.21
Netherland (38)	117.79	+0.0	104.49	108.41	4.10	117.76	104.54	108.27	118.24	99.65	85.37
New Zealand (27)	93.84	−1.7	83.24	86.40	3.14	95.42	84.71	87.73	100.59	83.93	67.03
Norway (24)	132.64	−0.4	117.65	120.22	2.10	133.13	118.19	120.25	139.79	100.00	93.18
Singapore (27)	132.28	+2.0	117.34	129.42	1.83	129.63	115.08	126.79	132.28	99.29	60.73
South Africa (61)	171.72	+0.2	152.32	121.10	3.29	171.30	152.07	120.80	186.74	100.00	94.86
Spain (43)	108.36	+0.5	96.12	103.10	3.97	107.80	95.71	102.29	121.31	100.00	92.29
Sweden (33)	118.37	−1.1	105.00	109.87	2.11	119.65	106.22	110.75	124.68	90.85	91.01
Switzerland (51)	100.35	+0.0	89.01	91.51	1.88	100.36	89.10	91.28	104.06	93.26	85.30
United Kingdom (339)	144.41	+1.1	128.10	128.10	3.24	142.88	126.84	126.84	144.41	99.65	98.61
USA (596)	120.33	+0.2	106.74	120.33	2.99	120.05	106.58	120.05	124.06	100.00	99.67
Europe (932)	120.90	+0.5	107.25	110.37	2.85	120.35	106.84	109.84	120.90	99.78	93.52
Pacific Basin (687)	155.70	−1.3	138.11	138.25	0.61	157.78	140.07	139.87	158.30	100.00	76.34
Euro—Pacific (1619)	141.82	−0.7	125.80	127.13	1.38	142.84	126.81	127.91	143.22	100.00	83.12
North America (727)	120.89	+0.2	107.24	120.71	2.95	120.63	107.09	120.43	124.60	100.00	99.69
World Ex. US (1825)	141.77	−0.7	125.76	130.07	1.43	142.75	126.73	130.22	143.09	100.00	83.80
World Ex. UK (2082)	132.31	−0.5	117.36	124.45	1.85	132.99	118.07	124.98	133.33	100.00	89.21
World Ex. So. Af. (2360)	133.14	−0.4	118.10	124.78	1.97	133.63	118.63	125.14	133.85	100.00	89.97
World Ex. Japan (1963)	121.53	+0.3	107.80	117.26	2.92	121.19	107.59	116.89	121.53	100.00	96.72
The World Index (2421)	133.39	−0.4	118.32	124.78	1.98	133.87	118.85	125.14	134.11	100.00	90.00

Base values: Dec 31, 1986 = 100

Latest prices unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$390	184	72	1	80A	—	—	$461.40
GOLD C	$400	180	62	—	—	40	77	"
GOLD C	$420	125	39.50	13	47.50	25	60	"
GOLD C	$440	379	21.50	229	39	10	46	"
GOLD C	$460	267	3	14	27.50	28	36	"
GOLD C	$480	74	0.10	126	17.90	—	—	"
GOLD C	$500	—	—	109	11	85	21	"
GOLD C	$520	—	—	210	7.50	58	16.50	"
GOLD P	$420	—	—	10	5	—	—	"
GOLD P	$440	68	0.10	11	9A	—	—	"
GOLD P	$460	50	2.50	91	15	52	23	"
GOLD P	$480	100	21	2	25	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$800	—	—	—	—	33	185	$978
SILVER C	$850	30	85	—	—	3	155	"
SILVER C	$1000	—	—	—	—	50	758	"
£/Fl C	Fl.340	62	1.80	280	3.50	20	5.30	Fl.337.84
£/Fl P	Fl.300	—	—	20	0.50	—	—	"
		May 87		Jun 87		Jul 87		
$/Fl C	Fl.195	—	—	—	—	22	7	Fl.201.42
$/Fl C	Fl.200	78	1.30A	3	3.30A	—	—	"
$/Fl C	Fl.205	150	0.10	11	1.50	2	2.50	"
$/Fl C	Fl.210	—	—	50	0.60	7	1A	"
$/Fl C	Fl.215	—	—	10	0.20	7	0.50	"
$/Fl P	Fl.200	128	0.10	50	2	—	—	"
$/Fl P	Fl.205	30	38	60	5.30	—	—	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.190	—	—	—	—	10	13.50	Fl.201.42
$/Fl C	Fl.200	5	5.70	10	7	27	8.20	"
$/Fl C	Fl.205	—	—	18	4.90	—	—	"
$/Fl C	Fl.210	2	2A	8	3.60	31	4.20	"
$/Fl C	Fl.215	15	1.20	—	—	90	3.30	"
$/Fl C	Fl.235	—	—	14	0.40	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.520	158	6.10	6	14.50	—	—	Fl.489
ABN P	Fl.460	30	3.60	68	10	1	15	"
AEGON C	Fl.95	82	2.30	9	4.50A	2	4.60	Fl.94.10
AEGON P	Fl.90	55	2.70	15	3.30	—	—	"
AHOLD C	Fl.110	47	1.80	9	4A	—	—	Fl.104.00
AHOLD P	Fl.105	53	4.40	—	—	2	6.90	"
AKZO C	Fl.140	150	2.70	194	6.10	28	8.50	Fl.133.80
AKZO P	Fl.130	192	2.70	17	4.50	8	5.60	"
AMEV C	Fl.65	20	1.50	110	3	3	4.50	Fl.62.20
AMEV P	Fl.60	33	1.60	10	2.80	16	4.10	"
AMRO C	Fl.80	389	1.90	4	3.80A	4	5.10	Fl.76.60
AMRO P	Fl.75	31	1.80B	67	3.70	10	4.30	"
ELSEVIER C	Fl.52	62	1.50	10	2.90	—	—	Fl.50
ELSEVIER P	Fl.50	12	1.90	—	—	—	—	"
GIST-BROC C	Fl.45	19	1.60	39	2.70	—	—	Fl.43.50
GIST-BROC P	Fl.45	37	2.80	—	—	—	—	"
HEINEKEN C	Fl.180	40	5	7	8.30	—	—	Fl.176.50
HEINEKEN P	Fl.170	44	2.50A	—	—	—	—	"
HOOGOVENS C	Fl.40	142	2.60	5	4.60	4	5.60	Fl.42.70
HOOGOVENS P	Fl.40	245	2.50	64	3.60	—	—	"
KLM C	Fl.45	690	2.80	592	3.60	72	4.90	Fl.45.80
KLM P	Fl.45	249	1.60	139	3.30	16	3.70	"
NED. LLOYD C	Fl.130	50	13	—	—	—	—	Fl.142.70
NED. LLOYD P	Fl.150	18	14.90	—	—	3	19.50	"
NAT. NED. C	Fl.75	676	1.50	430	2.40	7	4.20B	Fl.70.10
NAT. NED. P	Fl.65	25	0.80	202	1.50	5	2.10	"
PHILIPS C	Fl.50	2471	1.70	775	3.10	215	4	Fl.47.80
PHILIPS P	Fl.50	432	3	400	3.70	546	4.30	"
ROYAL DUTCH C	Fl.260	3704	7	1420	9	275	11.50	Fl.265.10
ROYAL DUTCH P	Fl.240	1185	2	183	5.20	33	7	"
UNILEVER C	Fl.600	139	16	13	29	2	34	Fl.597.80
UNILEVER P	Fl.580	46	14.30	10	19	—	—	"

TOTAL VOLUME IN CONTRACTS: 67,545

A=Ask B=Bid C=Call P=Put

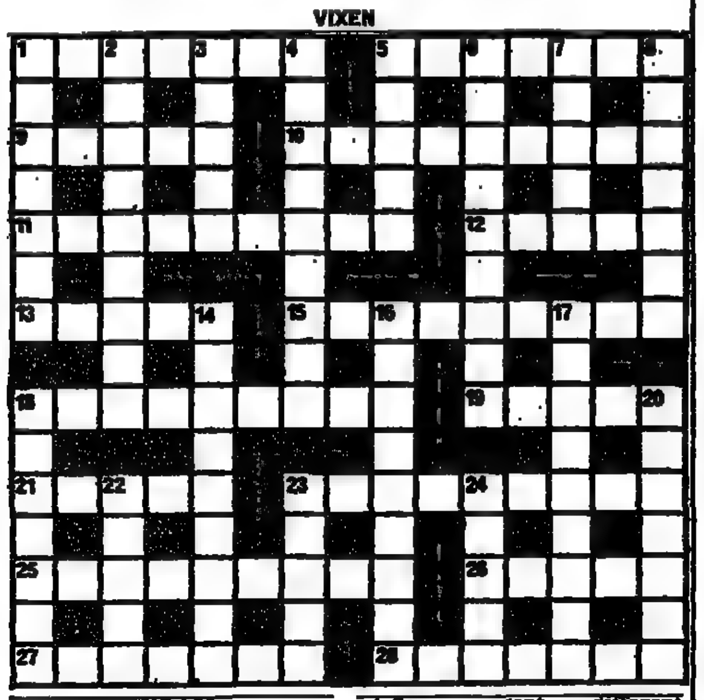
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	● Morgan Grenfell	9
Adam & Company	9½	Citibank NA	9	Nat Credit Corp. Ltd.	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Nat Bk. of Kuwait	9
Allied Dunbar & Co	9	Clydesdale Bank	9	NatWestminster	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Northern Bank Ltd.	9
American Exp. Bk.	9	Consolidated Cred.	9	† Norwich Gen. Trust	9
Amro Bank	9	Co-operative Bank	*9	PK Finans. Intl (UK)	10
Henry Ansbacher	9	Cyprus Popular Bk	9	Provincial Trust Ltd	11
ANZ Banking Group	9	Duncan Lawrie	9	R. Raphael & Sons	9
Associates Cap Corp	9	E. T. Trust	11	Roxburghe G'rantee	10½
Authority & Co Ltd	9	Equat'r'l TstC'p plc	9½	Royal Bk of Scotland	9
Banco de Bilbao	9	Exeter Trust Ltd.	9½	Royal Trust Bank	9
Bank Hapoalim	9	Financial & Gen. Sec.	9	Smith & W'son Secs	9
Bank Leumi (UK)	9	First Nat. Fin. Corp.	10½	Standard Chartered	9
Bank Credit & Comm	9	First Nat. Sec. Ltd	10½	Trustee Savings Bnk	9
Bank of Cyprus	9	● Robert Fleming & Co.	9	UDT Mortgage Exp.	§11.1
Bank of Ireland	9	Robert Fraser & Ptrs.	10	United Bk of Kuwait	9
Bank of India	9	Girobank	9	United Mizrahi Bank	9
Bank of Scotland	9	Grindlays Bank	‡9	Unity Trust PLC	9
Banque Belge Ltd	9	● Guinness Mahon	9	Westpac Bank Corp.	9
Barclays Bank	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Benchmark Tst Ltd	9	● Hambros Bank	9	Yorkshire Bank	9
Beneficial Trust Ltd	10½	Heritable & Gen. Tst.	9		
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst.	9½	Lloyds Bank	9		
Cl. Bank Nederland	9	Mase Westpac Ltd.	9		
Canada Permanent	9	Meghraj & Sons Ltd	9		
Cayzer Ltd	9	Midland Bank	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. † Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,327

VIXEN



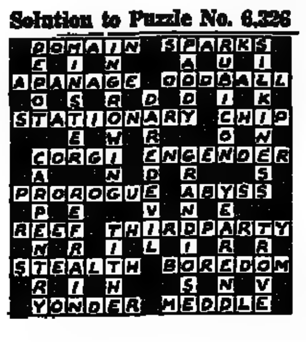
ACROSS

1 Just punishment for rats (7)
5 Cleaning the floor, many work with little sound (7)
9 Ugly customers will always make some progress (5)
10 Bond, given a welcome, set about the guys! (9)
11 Free Romans—yet in retreat (9)
12 More could be no longer calling back (5)
13 Shout of encouragement received by a man who is sober but vacant (2, 3)
15 Left a company, having done badly (9)
18 On reflection nothing in certain craft should give rise to such ill-humour (9)
19 Few stagger around when merrymaking (5)
21 State one had to return the duck (5)
23 By the way, they're directors (4-5)
25 Ride in—not to make a delivery (9)
26 Very little of the new cult radically affects anyone (5)
27 Model of perfection in quiet area of Spain (7)
28 Settle down-payment (7)

DOWN

1 Tom, a rod-wielding much-abused man (7)
2 An alien about 50—a killer (9)
3 "Where the virgins are soft as the - - - - they twine." Byron (Bride of Abydos) (5)
4 Same agent, different pseudonym (5-4)
5 Unite to do some damage to the railway (5)
6 A poser before a nurse (9)
7 Putting a writer up in it is not at all appropriate (5)
8 Received money and a part of Scandinavia (7)
14 File round and round—such skilled work (9)
16 Didn't drink rum. A diet bans this (9)
17 Gives guidance to ships carrying a gun (9)
18 Finding support for riding, express satisfaction—it's uplifting (7)
20 End of play (4, 3)
22 An American sailor bearing right (5)
23 Rule to do with soldier backing new leader (5)
24 Decline unsatisfactory neighbourhood parking (5)

Solution to Puzzle No. 6,326



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

MGM Unit Managers Ltd
MGM House, Heene Rd, Worthing 01-623 8211

High Inc.	300.6	319.8	+0.8	4.51
(Accum Units)	371.8	395.5	+1.0	4.51
UK Growth	374.8	398.7	+4.5	2.06
(Accum Units)	398.1	423.5	+4.8	2.06

MLA Unit Trust Management
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 674751

MLA Gen. Tst.	44.1	46.7	+0.3	1.6
MLA Income Trust	58.4	61.8	+0.3	3.64
MLA Intl.	63.1	67.0	+0.4	0.79
MLA Gilt Unit Tst.	25.1	26.5	−0.1	9.7
MLA European Trust	34.1	36.1	−0.3	0.69
MLA American Tst.	27.5	29.1	+0.2	0.85
MLA Emerging Mkts. Tst.	24.0	25.4	—	0.7

ManuLife Management Ltd
St George's Way, Stevenage 0438 356101

Gilt&Fxd Int.	125.6	130.0	—	6.83
Growth Units	108.9	114.8	—	2.37
High Income Unit	150.3	159.7	—	3.70
High Yielding Gilt Uts	61.9	64.3	—	8.43
Intl Growth Unit Tst.	159.0	169.0	—	0.18
UK Smaller Cos.	121.5	129.1	—	1.44
North American	80.5	85.6	—	0.35
Far East	143.4	152.4	—	0.02

Mayflower Management Co Ltd
No. 1 London Bridge, London, SE1 9QU 01-378 7000

Income May 5	313.0	333.0	—	4.35
General May 5	245.8	261.5	—	1.37
International May 5	147.6	157.1	—	0.67
Global Inc Fd May 5	48.0	51.0	—	5.39

Medical Investments Limited
4 Sandys Row, London E1 7HW. 01-247 1167/8/9

Health Fund	49.2	51.7	—	—

Mercap Unit Trust Mngrs Ltd (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	312.1	333.1	+2.2	0.96
Income	243.9	259.8	−0.1	3.45
Worldwide Recovery	170.3	181.5	+1.0	1.62
Americas Growth	73.1	78.1	+0.3	0.86
Intl. Emerging Cos.	94.5	100.9	+0.7	0.68
Far East Growth Fd.	106.2	113.4	+1.9	0.68
European Growth Fd.	64.0	68.4	+0.2	1.04

Prolific Unit Trust Managers Limited.
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc	57.8	61.5	—	3.80
Prolific Cvert. & Gilt	129.9	131.9	+1.1	4.58
Prolific Euro Gth&In	51.5	55.1	+0.2	2.46
Prolific Extra Inc	125.3	153.4	+0.5	5.44
Prolific Far East	214.4	228.9	+1.3	—
Prolific High Inc	84.9	90.5	+0.6	3.19
Prolific Intl	149.1	158.7	+0.3	0.19
Prolific N. Amer.	129.5	138.4	+0.2	—
Prolific Spec. Sits	105.0	111.8	+1.0	0.67
Prolific Technology	147.0	157.9	+1.8	—

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc	101.1	107.6	+1.0	—
Japan Acc	101.3	107.8	+1.0	—
Worldwide Inc	78.6	83.2	+0.3	1.07
Worldwide Acc	80.0	84.7	+0.3	1.07
European Tst Inc	93.5	99.2	—	0.34
European Tst Acc	93.8	99.2	−0.1	0.34
North American Inc	62.7	66.8	+0.3	1.31
North American Acc	63.5	67.6	+0.2	1.31
UK Equity Inc	85.9	91.0	+0.5	1.82
UK Equity Acc	89.8	95.1	+0.6	1.81
UK High Inc Eqty Inc	64.1	67.9	+0.5	4.50
UK High Inc Eqty Acc	65.3	69.2	+0.5	4.50
Hong Kong Trust	46.9	49.7	+0.4	0.55
Swiss Equities Trust	46.9	49.7	+0.4	1.89

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

INSURANCES

Cont'd. on next Page

FT UNIT TRUST INFORMATION SERVICE

Marsh Financial Management Ltd
2/4 Vale Ave, Tunbridge Wells, TN1 1DJ 0892 515616

Marsh (M&G) Fund	131.3	138.0		—
Marsh (M&G) Pens Fd	148.3	155.9		—
Marsh (Target) Fund	132.6	139.6	+0.7	—
Marsh (Target) Pens Fd	76.3	80.4	+0.3	—
Marsh (Schroder) Fund	113.2	119.1	+0.5	—

Noble Lowndes & Partners Ltd
PO Box 144, Croydon 01-686 2466

Lowndes (Clev.Med.Y2)	117.6	123.8	+0.2	—
Lowndes (Scot. Equit.)	114.9	120.9	—	—

The Norminster Group
71, London Rd, Peterborough, PE2 9BB 0733 42200

Mngd Scot Mut	126.5	133.2	—	—
Pen. Scot Mut	117.5	123.7		—
Man-Schroder	114.5	120.5	-0.1	—
Pen Man-Schroder	120.9	127.2	—	—
Man. Target	126.5	133.2	+0.9	—
Pen. Man. Target	63.9	67.3	+0.4	—
Man Scot Equi	97.1	102.2	—	—

O'Halloran & Co/Countrywide
c/o 41, Broadway, Peterborough, PE1 1SJ 0733 44830

Managed Fd	125.5	132.2		—

PBR Fund Management Ltd.
146a Queen Victoria St, EC4V 5AP 01-236 4070

Flexi-Bond	154.3	162.1	+0.6	
Flexi Pension Bond	145.9	153.3	+0.4	—
Managed Bond		114.8	+0.1	—
Managed Pension		120.3	+0.1	—

The Porchester Group
92 Wimpole Street, London W1M 7DA 01-493 9090

Porchester Managed Funds

Albany (z)	125.50	132.10	+0.1	—
Cornhill (z)	109.00	115.00	+1.5	—
Irish Life (z)	125.30	132.00		—
Royal Heritage (z)	106.10	111.70		—
Schroder (z)	104.40	109.80	-0.5	—
Skandia (z)	124.50	131.00	-0.2	—
Target (z)	126.70	133.40	+0.2	—
Trident (z)	124.20	130.80	-0.7	—

Porchester Managed Pension Funds

Albany (z)	142.40	149.90	+0.3	—
Schroder (z)	102.10	107.40	-0.7	—
Skandia (z)	134.30	141.30	-0.2	—
Target (z)	122.80	129.30	+0.1	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med	141.6	149.1		—
Pens. Man-Schroder	591.9	623.0	+9.8	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Albany Life				—
Clerical & Medical (z)	114.3	120.4	-0.1	—
Guardian Royal Exch.	104.7	110.3	+2.0	—
M&G Ass (Life)	124.0	130.3		—
M & G Ass (Pens)	148.7	156.3		—
N. M. Schroder	102.8	108.2	+0.1	—
N M. Schroder Pens.	106.6	112.2	+0.1	—
Norwich Union Ass Mgd	57.7	60.8		—
Royal Life (Uni.LnkAss)	115.4	121.4		—
Scot Equitable (Life)	161.3	169.8		—
Scot Equitable (Pens)	112.5	118.4		—
Scot Mutual (Life)	168.1	177.0		—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

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LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100[illegible]	99[illegible]	Treas. 10pc 1987	100[illegible]xd		9.99	8.88
99[illegible]	97[illegible]	Treas 3pc 1987	99[illegible]		3.02	7.23
101[illegible]	100[illegible]	Treas. 12pc 1987	101[illegible]	[illegible]	11.81	8.28
99[illegible]	97[illegible]	Treas 7¾pc 1985-88‡‡	99[illegible]	[illegible]	7.77	8.19
102[illegible]	99[illegible]	Exch 10½pc '88	101[illegible]xd	[illegible]	10.30	8.35
101[illegible]	98[illegible]	Treas 9¼pc Cv '88	101[illegible]xd	[illegible]	9.62	8.39
96[illegible]	93[illegible]	Transport 3pc '78-88	96[illegible]		3.10	5.95
101[illegible]	98[illegible]	Treas. 9½pc '88	101[illegible]	[illegible]	9.36	8.39
105[illegible]	101[illegible]	Treas 11½pc 1989	104[illegible]	[illegible]	10.96	8.44
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	101[illegible]	[illegible]	9.32	8.37
94[illegible]	89[illegible]	Treas 3pc 1989	94[illegible]xd	[illegible]	3.17	5.91
104[illegible]	99[illegible]	Treas 10½pc 1989	103[illegible]xd	[illegible]	10.11	8.45
103[illegible]	98[illegible]	Exch 10pc 1989	102[illegible]	[illegible]	9.71	8.49
106[illegible]	100[illegible]	Exch 11pc 1989	105[illegible]	[illegible]	10.45	8.47
95[illegible]	89[illegible]	Treas 5pc 1986-89	95[illegible]	[illegible]	5.22	6.95
108[illegible]	100[illegible]	Exch 10½pcCv '89	106[illegible]xd	[illegible]	9.60	7.23
111[illegible]	105[illegible]	Treas 13pc 1990‡‡	110[illegible]	[illegible]	11.76	8.49
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	105[illegible]	[illegible]	10.38	8.51
110[illegible]	104[illegible]	Exch. 12½pc 1990	109[illegible]	[illegible]	11.37	8.49
91[illegible]	84[illegible]	Treas. 3pc 1990	91[illegible]xd		3.27	6.08
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	99[illegible]xd	[illegible]	8.28	8.32
105	97[illegible]	Treas. 10pcCv 1990	104[illegible]	[illegible]	9.58	8.48
89[illegible]	81[illegible]	Exch 2½pc 1990	89[illegible]xd		2.79	5.85
110[illegible]	103[illegible]	Treas 11¾pc 1991	109[illegible]	[illegible]	10.72	8.58
95[illegible]	87[illegible]	Funding 5¾pc '87-91‡‡	95[illegible]	[illegible]	6.03	7.14
88[illegible]	80[illegible]	Treas. 3pc 1991	88[illegible]xd	[illegible]	3.38	6.20
110[illegible]	100[illegible]	Treas 10pc Cv '91 ‡‡	109[illegible]	[illegible]	9.18	7.48
109[illegible]	101[illegible]	Exch. 11pc 1991	109[illegible]	[illegible]	10.09	8.51
116[illegible]	108[illegible]	Treas 12¾pc 1992‡‡	115[illegible]	[illegible]	11.02	8.61
106[illegible]	97[illegible]	Treas 10pc 1992	105[illegible]	[illegible]	9.49	8.58
49[illegible]	47[illegible]	Treas. 8pc 1992 ‡‡(50pd)	49[illegible]		8.15	8.47
108[illegible]	99[illegible]	Treas 10½pc Cv 1992‡‡	107[illegible]	[illegible]	9.78	8.63
		Five to Fifteen Years				
115[illegible]	106[illegible]	Exch. 12¼pc '92	114[illegible]	[illegible]	10.68	8.72
121[illegible]	111[illegible]	Exch 13½pc 1992	120[illegible]	[illegible]	11.24	8.70
107[illegible]	97[illegible]	Treas 10pc 1993‡‡	106	[illegible]	9.44	8.69
118[illegible]	108[illegible]	Treas 12½pc 1993‡‡	117[illegible]	[illegible]	10.66	8.80
95[illegible]	82[illegible]	Funding 6pc 1993‡‡	95[illegible]	[illegible]	6.28	6.86
125[illegible]	114[illegible]	Treas 13¾pc 1993‡‡	124[illegible]xd		11.07	8.79
129[illegible]	119[illegible]	Treas 14½pc 1994‡‡	128[illegible]	[illegible]	11.26	8.77
124[illegible]	113[illegible]	Exch 13½pc 1994 ‡‡	123[illegible]	[illegible]	10.92	8.86
107[illegible]	97[illegible]	Treas. 10pc Ln. 1994	106[illegible]	[illegible]	9.38	8.72
120[illegible]	109[illegible]	Exch. 12½pc 1994	119[illegible]	[illegible]	10.50	8.87
103[illegible]	92[illegible]	Treas 9pc 1994‡‡	102[illegible]xd	[illegible]	8.80	8.58
118[illegible]	107[illegible]	Treas 12pc 1995	117[illegible]	[illegible]	10.24	8.87
82[illegible]	76	Exch 3pc Gas 90-95	81[illegible]	[illegible]	3.66	5.87

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BRITISH FUNDS—Contd

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INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

FOREIGN BONDS & RAILS—Contd

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AMERICANS

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Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

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UNIT TRUST NOTES

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LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30⅝	23⅞	Sara Lee $1	24¼xd	.....	$2.00	—	6.7
11¾	9⅛	Saul (B. F.) $1	9⅞	–⅛	20c	—	1.3
79	62⅞	Southwestern Bell $1	65⅝	–½	$6.96	—	6.5
17⅝	15¼	Staley Continental	15¼	–¼	80c	—	3.2
44⅞	36⅛	Sun Co. Inc. $1	39⅞xd	–⅛	$3.00	—	4.6
74	59¼	TRW Inc. $1¼	61⅛xd	–⅛	$3.20	—	3.2
31	26¼	Tenneco $5	28⅞xd	+⅛	$3.04	—	6.5
187½	152½	Do 10pcLn Stk. 91-5	182½xd	.....	10%	—	f5.6
26¼	17⅞	Texaco $6.25	21¼xd	–⅛	$3.00	—	8.7
57¼	47⅞	Time Inc. $1	52¼	–⅞	$1.00	—	1.2
14½	12	Tracor $0.33	12⅛	–¼	40c	—	2.0
24⅝	19⅞	Transamerica $1	19¾xd	–⅛	$1.76	—	5.5
11	967p	Transworld Corp $5	987p	+12	20c	—	1.2
42¼	29¾	TRINOVA Corp.	41¼xd	+¼	k$1.00	—	1.5
19⅝	15⅛	♥USX $1	19⅛	–¼	$1.20	—	3.8
18¾	15⅞	Union Carbide $1	18½xd	–¼	$1.50	—	5.1
35⅞	26⅞	Utd. Technologies	28⅞	+⅛	$1.40	—	3.0
38⅝	29½	US West‖	29⅝	–⅛	$3.28	—	6.8
33⅞	27⅞	♥Woolworth $3½	28⅞	+¼	$1.32	—	2.8

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
23p	16p	♥Abbot Energy Corp.	16p	.....	—	—	—
23⅞	10½	♥Amer Barrick Res.	23¼	....	—	—	—
105p	36p	Armeno	105p	+19½	—	—	—
19⅝	15	Bk. Montreal ‖	15	–¼	$2.00	—	5.8
10½	787p	Bk. Nova Scot.‖	787p	–14	72c	—	4.0
20⅝	18¼	BCE ‖	18½	–¼	$2.40	—	5.6
960p	712p	♥Bow Valley‖	905p	+9	40c	—	1.9
19¼	12¼	♥Brascan‖	17	.....	88c	—	2.2
609p	279p	♥Breakwater Res.	480p	+10	—	—	—
11⅝	927p	Can. Imp. Bk. $2	927pxd	–9	$1.08	—	5.0
12	929p	Can. Pacific ‖	11	.....	48c	—	1.9
42½	37½	Do. 4pc Deb £100	41½xd	.....	4%	—	9.6
27½	16¼	♥Echo Bay Mines	24¼	–½	20c	—	0.4
148p	66p	Euro-Asia Capital Ltd.	138p	–3	—	—	—
733p	283p	Galactic Resources	319p	.....	—	—	—
69p	32p	Global Data Systems	40p	–½	—	—	—
873p	408p	♥Granges Explo‖	735p	+12	—	—	—
17¼p	10p	♥Gt Pacific Res	17¼p	+1½	—	—	—
14¼	781p	♥Gulf Canada‖	14¼	+⅛	52c	—	1.6
13¼	10	♥Hawker Sid Can‖	12	–½	96c	—	3.5
740p	556p	Henlys Group	875p	–2	—	—	—
14⅛	11⅛	Hudson's Bay ‖	11⅝	....	60c	—	2.2
34½	25⅛	♥Imperial Oil‖	33½	+⅛	s$1.60	—	2.1
11⅝	824p	Inco‖	11½xd	+¼	US$0.20	—	1.1
25¼	14¾	♥Intl. Corona Res.	20½	–⅜	—	—	—
676p	575p	♥Inland Nat. Gas $1	637p	+4	60c	—	4.1
363p	171p	♥Muscocho Expln.	290p	+4	—	—	—
10	748p	♥Ntnl Business Syst.‖	961p	+25	—	—	—
12	989p	♥Rio Algom	10½	–½	$1.30	—	3.6
19½	15	Royal Bk. Can. ‖	15	....	$2.00	—	5.8
49½	41⅝	Seagram‖	44⅛	–⅛	US$1.00	—	1.4
14⅞	11⅞	Toronto-Dom. Bk.‖	12½	–½	84c	—	2.9
10¼	825p	♥Trans Can Pipe	888p	+3	$1.12	—	5.5
184p	124p	Varity Corp‖	147p	–3	—	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
281	219	ANZ $A1	272	–4	031c	2.4	4.9	8.7
*£166	£145½	Algemene Fl.100	£146¼	.....	027%	♦	5.7	♦
*273	230	Allied Irish	268	+7	hg064.0%	3.6	5.5	8.4
70	56	Anglo Irish	65	+2	019.69%	1.4	6.9	15.3
92	84	Ansbacher (H.) 1p	86	.....	2.0	—	3.2	—
£40½	£30½	Banco de Bilbao S.A.	£30½	.....	038%	3.0	3.1	10.8
£29½	£23½	Banco de Santander	£24⅞	.....	023.2%	♦	1.8	♦
260	193	Bank Ireland IrE1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
140	84	Anglo-Dominion	120	+17	—	—	—
90	24	♥Colby Res Corp	75½	....	—	—	—
240	162	Cons. Murch. 10c	240	......	ø060c	4.4	7.8
69	38	♥Ennex Int. Ir10p	64	+3	—	—	—
318	159	Greenwich Res	318	+30	—	—	—
£12½	963	Hemlo Gold Mines	£11⅛	–⅛	—	—	—
355	190	♥Highwood Res	284	–2	—	—	—
£24⅜	£17⅛	Homestake Mining $1	£21⅛	–⅛	Q20c	—	0.6
442	167	♥McFinley Red Lake	402	–1	—	—	—
150	86	♥Musto Explorations	112	+2	—	—	—
100	38	♥New Sabina Res C$1	87	–½	—	—	—
580	200	Northgate C$1	553	+2	—	—	—
237	104	Nor-Quest Resources	122	–14	—	—	—
£10⅞	699	RTZ	£10¼xd	....	21.5	♦	3.1
£213¼	£113¼	Do. 9½pcLn '95-2000	£212¾xd	+½	Q9½%	15.9	14.5

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
475	180	Abelscot Group 10p	365xd	–10	3.5	2.7	1.3	39.3
35	28	Aberdeen Am Pet 10p	32	......	—	—	—	—
125	110	Allied Ins. Brokers	123xd	+2	L3.5	2.5	4.0	14.3
65	45	Catalyst Comms. 5p	62	......	—	—	—	—
78	47	Corton Beach 10p	75	......	0.4	♦	0.7	♦
200	102	Edencorp Investment	200	+5	—	—	—	—
63	31	Eglinton Oil Ir 5p	32	–7	—	—	—	—
41	17	Do. Warrants	23	–2	—	—	—	—
46	17	Publishing Hldgs 5p	45	......	—	—	—	24.9
58	45½	Theme Holdings	47	......	1.0	♦	2.9	♦
138	111	Unit Group	133	......	R4.6	2.5	5.6	(8.1)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xcl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	78xd	+2	Fin. 13% 97/02	£114⅝	–1
Craig & Rose £1	£16¼	.....	Arnotts	373xd	......
Finlay Pkg. 5p	81xd	+2	CPI Hldgs	58	......
Holt (Jos) 25p	937xd	+7	Carroll Inds.	130	–15
IoM Stm. £1	107	+1	Dublin Gas	18	......
			Hall (R. & H.)	108	......
IRISH			Heiton Hldgs.	28	......
Fund 11¼% 1988	£100¼	......	Irish Ropes	160	......
Nat. 9¾% 84/89	£98⅝	–¼	Unidare	395	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	68
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

US buying of oil stocks features firm equities while Gilt-edged stocks turn lower

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Apr 27	May 7	May 8	May 18
May 11	May 28	May 29	Jun 8
Jun 1	Jun 11	Jun 12	Jun 22

* New time dealings may take place from 9.00 am two business days earlier.

The UK securities markets enjoyed a successful session yesterday with both domestic and international factors helping to take the equity sector to new peaks.

Share prices opened strongly after the latest surveys of UK public opinion indicated increased support for the Thatcher Government and, after slackening briefly at mid-session, closed with renewed strength when US buyers appeared for oil shares following good results from **British Petroleum** and **Royal Dutch Shell**. Government bonds, by contrast, had a slack session as the £1bn tap was sold by tender, and closed easier. Interest rate optimism remained undimmed, however.

The FT-SE 100 index climbed 16.6 to a new peak of 2180.0. But the FT Ordinary index which is more closely tied to the blue chip stocks, ended at 1684.2 a gain of only 3.7 leaving it just short of the recent all-time high.

Among the international stocks, the trading figures from **Royal Dutch** were well received in London, and those from **British Petroleum** also pleased the market.

There was a mixed reception for the interim results from **Saatchi & Saatchi**, which left the shares sharply lower. London analysts were satisfied with the profits but unhappy with the Saatchi board's response to questions which attempted to probe the tender areas of the US operations.

There was continued demand for pharmaceutical shares, with Glaxo outstanding as more UK brokers climbed aboard the bandwagon which has taken the Glaxo share price ahead strongly over the past eight months.

On the consumer side, Cadbury-Schweppes continued to find the US buyers.

Government bonds had a good trading session, with prices moving in a half-point range as the market avoided tendering for £1bn in 2002-06 stock. Bids for the new stock, which looked dear to a market still aiming for lower rates, were very thin, and the issue was fully-allotted at the minimum tender price.

GEC made strong progress for the sixth consecutive trading session and closed a further 8 higher at 237p after a turnover of more than 27m shares; the latest bout of buying interest—which dealers said was mostly UK-sourced—reflected growing speculation that the company is about to announce a major US acquisition. "GEC is hopeful of pulling off the deal," a leading analyst said yesterday.

British Petroleum and Shell revealed satisfactory first-quarter results although the latter's were deemed slightly more impressive. **Shell** responded with a gain of ¼ at £13¼ and **BP** finished 14 higher at 356p; US support was evident late in the session. Elsewhere in the energy majors, **British Gas** recovered strongly and closed 3 higher at 114½p.

Wellcome featured with a rise of 18 at 447p in response to news that the UK Health Secretary, hopes to make available an additional £1.5m for London hospitals to acquire Wellcome's anti-Aids drug, AZT.

AZT is manufactured by Wellcome under the trade name of Retrovir. Although not a cure for Aids, it is at the moment the only product available believed to arrest the disease. This factor has been behind the strong performance in the Wellcome share price which at the current level has nearly doubled from this year's low of 232p. Demand for the shares over past months has been particularly strong from Japanese and American sources.

Ladbroke came under selling pressure as adverse market rumours resurfaced and the price settled 7 lower at 402p; business transacted totalled some 4.1m shares. **Grand Metropolitan** revealed interim profits well in excess of market estimates and the price responded with a rise of 16 to 537p; however, the subsequent analysts' meeting proved neutral and the closed was only 5 dearer on balance at 526p.

The market debut of **Sock Shop** rivalled, if not surpassed the respective impressive performances of Body Shop and Laura Ashley; the shares, offered at 125p and heavily oversubscribed, opened at 255p and, in active trading, touched 288p at one stage prior to closing at 260p.

Polly Peck continued their spectacular run—the shares have risen nearly 28 per cent this month—as UK investors anticipated good interim results. The statement is due to be announced on Monday. Acute stock shortages gave the upturn added momentum and the close was 11 higher at 305p.

Royal Insurance and **General Accident** made early progress and edged further ahead following respective first quarter results which were regarded by market makers as satisfactory. However, a flurry of selling pressure after midday, believed to have represented part of a selling programme, was directed at the sector and especially **Royal**, which ended the day 24 lower at 895p and **General Accident**, finally 8 off at 940p. **Sun Alliance** dropped 23 to 842p.

Interest in the bank sector was focused on **Midland** which retreated to 665p at one point before closing a net 8 lower at 670p as rumours of a rights issue resurfaced. **Barclays**, still reflecting a recent bullish circular, edged up 6 more to 548p.

Standard & Chartered drifted back 7 to 818p and **TSB** eased a couple of pence to 91p, after a turnover of 14m.

Merchant Banks included features in **Mercury International**, up a further 17 to 389p for a two-day gain of 28, reflecting the recent underperformance of the shares. **Kleinwort Benson** jumped 13 to 522p. **Bank of Ireland** advanced 13 to 258p in the wake of the annual results and **Allied Irish Bank** hardened 7 to 268p following the acquisition of Coyle Hamilton, the largest insurance broker in the Republic.

Life insurances showed **Sun Life** a weak market and ¼ off at £11⅝ following the rejection of Transatlantic's bid to put three of its nominees on the Sun Life board. USM-quoted **United Friendly** spurted 25 more to a peak 663p, still reflecting the sharply increased profits announced on Monday.

Brokerage house "buy" recommendations stimulated activity in **Bass** which, ahead of Wednesday's interim statement, spurted 22 to 991p. BZW Securities expects the group to reveal creditable growth with pre-tax profits some 14 per cent higher at £148m. **Allied-Lyons**, too, traded in fair volume but sellers had a definite edge and the close was 5 lower at 431p; the preliminary results are scheduled for Tuesday. Elsewhere, a resurgence of bid speculation lifted **Belhaven** 5½ to a high for the year of 78p.

Buildings continued to attract selective buying interest. **Blue Circle**, a strong performer on Wednesday, firmed 2 afresh to 902p, while **Tarmac** put on 8 to 545p. **Rugby Portland Cement** were again in demand at 251p, up 5, while **Redland** put on 7 to 484p. Elsewhere, **Berkeley Group** rose 8 to 405p following the excellent annual results and proposed £35m rights issue, but **Stanley Miller** softened a couple of pence to 88p as the company denied knowledge of any bid approaches.

Ratners responded to favourable Press comment on doubled profits announced on Wednesday and rose 10 to 357p. **Next**, which topped Ratners' bid for Combined English Stores last week, put on 6 to 345p. Elsewhere, **Alfred Preedy** raced up 15 to 174p amid takeover speculation, as did **Ellis and Goldstein**, 9 up at 109½p. **Martin Ford** gained 11 to 112p on recovery hopes while **Wigfalls** returned from suspension and closed at 230p compared with a pre-suspension level of 205p.

British Telecom added 2 at 308p on news of the Ministry of Defence contracts worth £130m.

Bid speculation lifted **MK Electric** 5 to 467p, while **International Signal** continued to respond to the recent buy recommendation from Chase Manhattan Securities and hardened to 271p.

Elsewhere, **Philcom** surged 14½ to 49p following news that Robert Fleming had bought a 60.9 per cent stake from Magnum Corporation for 30p a share and installed its own new management. **Atlantic Computer**, helped by Press comment, jumped 35 more to 727p.

Leading Engineers rarely strayed from previous closing levels. Elsewhere, **Whessoe**, still reflecting the half-year loss and passing of the interim dividend, fell 6 more to 98p. **Downibrae**, in contrast, advanced 11 to 117p on a revival of speculative activity. **William Boulton** gained 4 to 28¾p following details of the capital reorganisation. Other bright spots included **Rotork**, up 7 at 202p, and **Birmingham Mint**, 8 better at 286p.

Food Retailers remained in vogue with **Kwik Save** 6 higher at 311p and **Tesco** 7 dearer at 542p. **Bejam** gained 8½ to 192p on takeover hopes, while **Argyll** put on 17 to 465p. Elsewhere, **Booker**, a subdued market of late, attracted revived demand and rose 19 to 474p, while **Iceland Frozen Foods** firmed 6 to 364p following the annual meeting.

Kennedy Brookes, boosted by reports of a broker's lunch, moved up 5 to 363p.

Among the miscellaneous industrial leaders, Glaxo, the current favourite of a number of investment houses, continued to make progress and put on ¼ more to £15¾. **BOC**, scheduled to reveal interim figures next Monday, hardened 4 to 484p in a small volume of business. News that Common Market plans for a new tax on vegetable oil have won European Parliament backing failed to unsettle **Unilever** which held a gain of ¼ at £28¼. Elsewhere, **English China Clays** featured with a gain of 16 at 458p following interim figures above market estimates. **Walker Greenbank** responded to acquisition news with a gain of 10¼ at 116p. **Christies International** put on 22 more to 550p as bid rumours resurfaced, while **Briden**, another old takeover favourite, gained 7 to 198p. **Norcros** continued its recent revival with a fresh rise of 10 at 395p. Further investment demand left **Williams Holdings** 15 to the good at 798p and **BBA** 11 dearer at 208p. **Hestair** were noteworthy for a rise of 17 to 295p, while renewed demand in a limited market prompted a further rise of 25 to 258p in **Wade Potteries**.

Profit-taking in the wake of the annual results left **Thames TV** 34 lower at 485p, while an uninspiring set of preliminary figures left **Grampian TV** 14 off at 85p. **Owners Abroad** gained 8½ more to 123½p reflecting the International Leisure stake announced on Wednesday.

Jaguar continued to trade uneasily and lost 6 further to 554p, but most other Motor issues went higher. **FR** gained 8 to 385p and **T. Cowie** rose 26 to 528p; the latter has sold its stake in Godfrey Davis to Govett Strategic IT, which now holds a near 10 per cent stake in Godfrey Davis. **Perry** advanced 5 further to 291p, and **Hartwell** improved 4 to 118p in front of Wednesday's preliminary figures.

Delyn Packaging rolled forward again to close 51 up at 513p, while **Blenheim Exhibitions** rose 25 to 310p. **More O'Ferrall** gained 15 further to 263p and **Metal Bulletin** revived with a rise of 5 to 141p. Advertising Agencies were not disheartened by the downturn in Saatchi. **Davidson Pearce** put on 5 to 148p mirroring the chairman's confidence at the annual meeting and **Bease Massimi** improved 5 more to 290p.

Peachey Property, some 40 points higher last Friday, rose 11 afresh to 436p, as **British Land** confirmed that it had sold its holding in the company to Bell Group International; **BL** closed 9½ higher at 294½p. The property leaders went ahead on asset value and growth prospects, **Land Securities** rising 10 more to 479p and **MEPC** 10 to 458p. Elsewhere, **Great Portland Estates** put on 12 to 291p and **Slough Estates** firmed 4 to 252p. **Helical Bar** were up ¼ at £12¾, while **Southend Stadium** rose 56 to 723p on property development prospects.

Encouraged by the reception of the £75m Eurobond issue—the group's first such venture—**P & O** moved up 5½ further to 652½p. **Ocean Transport** were also bought and gained 7 more to 320p.

Tomkinsons gathered forward momentum ahead of Tuesday's mid-term figure and ended 23 up at 453p. **Lamont** were another strong performers, rising 19 to 291p, while **S. Jerome**, 212p, and **British Mohair**, 212p, gained around 25 and 7 respectively after their annual meetings. Against the trend, **Palma** came back 5 to 93p on profit-taking.

British and Commonwealth's annual results pleased the market and shares rose 8 to 440p; the figures from subsidiary **Exco** were similarly received, prompting a gain of 5 to 350p. Bright features elsewhere in the Financial Trust sector took in **Johnson Fry**, 15 up at 258p, **Abingworth**, 8 dearer at 292p, and **MAI**, which improved 8 more to 550p. [illegible] extended Wednesday's late advance to end 6 better at 305p, while **Haw Par** were raised 10 to 130. **Mercantile House**, 5 lower at 370p, were among the few casualties. South African gold shares were in good form yesterday behind firmness in the bullion price and the shading in the US dollar. Turnover was unexciting until the end of th day when a substantial buying interest from Johannesburg was reported. Most of th leading producers ended with gains of 50 cents to $1, although there was not much interest from the US.

Australian oil shares firmed up, behind the Wall Street support for the major producer issues. The reduction in the Australian discount rate helped some sectors. Mining shares again responded to a firm bullion price.

Total contracts in Traded Options came out at 58,857 made up of 36,883 calls and 21,974 puts. British Gas were prominent and attracted 2,641 calls and 11,292 puts.

Traditional Options

- First dealings May 5
- Last dealings May 15
- Last declaration August 6
- For Settlement August 17

For rate indications see end of Unit Trust Service

Stocks dealt in for the call included **Control Securities, Sound Diffusion, Apricot Computer, Sheraton Securities, Property Trust, Sears, Johnson and Firth Brown, Rank Hovis, Bridon, Aran Energy, Blacks Leisure, Control Securities** and **Berkeley and Hay Hill**. A put was arranged in **Acorn Securities**, while **IBL** were dealt in for the double.

FINANCIAL TIMES STOCK INDICES

	May 14	May 13	May 12	May 11	May 8	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.92	93.02	92.92	93.15	92.32	91.98	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.05	98.54	98.35	98.39	98.25	96.89	98.54 (13/5)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1684.2	1,680.5	1,670.4	1,686.9	1,658.7	1,302.6	1,686.9 (11/5)	1,320.2 (2/1)	1,686.9 (11/5/87)	49.4 (26/6/40)
Gold Mines	420.8	421.4	428.1	428.3	438.7	244.3	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.41	3.41	3.44	3.41	3.47	4.24				
Earnings Yld.%(full)	8.20	8.20	8.20	8.13	8.27	10.46				
P/E Ratio (net) (*)	15.01	15.00	15.05	15.19	14.92	11.69				
SEAQ Bargains (5 pm)	47,513	46,728	52,941	62,147	55,938	—				
Equity Turnover (£m)	—	1,522.47	1,599.60	1,481.39	2,124.67	533.73				
Equity Bargains	—	61,260	68,455	63,762	62,164	21,817				
Shares Traded (ml)	—	609.7	643.4†	573.3	812.7	231.1				

S.E. ACTIVITY

Indices	May 13	May 12
Gilt Edged Bargains	161.2	189.4
Equity Bargains	396.9	443.6
Equity Value	3077.3	3,233.2
5-Day Average		
Gilt Edged Bargains	189.2	196.1
Equity Bargains	399.9	380.6
Equity Value	3366.5	3,296.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1680.2	1678.7	1684.7	1689.5	1687.8	1689.3	1688.2	1682.2

Day's High 1690.2. Day's Low 1676.8. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, † corrected SE Activity 1974, *Nil=14.67.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (285)

BRITISH FUNDS (3), CORPORATION LOANS (4), AMERICANS (2), CANADIANS (3), BANKS (7), BREWERS (3), BUILDINGS (18), CHEMICALS (6), STORES (8), ELECTRICALS (17), ENGINEERING (15), FOODS (9), HOTELS (3), INDUSTRIALS (38), INSURANCE (2), LEISURE (7), MOTORS (10), NEWSPAPERS (5), PAPER (14), PROPERTY (37), SHIPPING (2), SHOES (1), TEXTILES (5), TRUSTS (42), OILS (10), OVERSEAS TRADERS (1), PLANTATIONS (2), MINES (9), THIRD MARKET (2).

NEW LOWS (18)

AMERICANS (6) CityFed Finance Corporation, Colgate-Palmolive, Continental Illinois Corporation, Great American First Savings Bank, RJR Nabisco, Saul (B. F.). CANADIANS (3) Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank. BANKS (2) Deutsche Bank, Cie Bancaire. CHEMICALS (1) Snia BPD. ELECTRICALS (1) F. and H. Group. INDUSTRIALS (2) Cathay Pacific, Ferdi-A-Chron. TRUSTS (1) Japan Asset 4¼pc Conv 1994. OVERSEAS TRADERS (1) REA Holdings. PLANTATIONS (1) Highlands.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	4,100	167	−2	Jaguar	2,800	554	−6
Allied Lyons	2,850	431	−5	Ladbroke	4,300	402	−7
Amstrad	1,800	207½	−0½	Land Securities	5,900	479	+10
Assoc. Brit. Foods	1,400	392	—	Legal & Gen.	2,100	302	−4
Argyll Group	4,600	465	+17	Lloyds Bank	534	534	—
BAT	2,100	546	+2	Lonrho	1,100	290	+2
BET	1,900	262	—	MEPC	2,100	458	+10
BOC	1,100	484	+4	Marks & Spncr	3,000	250½	−1½
BPB Inds	577	777	+2	Midland Bank	659	670	−8
BPCC	502	323	−2	NatWest Bank	1,600	637	+2
BTR	3,100	321	−6	Next	1,000	345	+6
Barclays	1,400	548	+6	Pearson	471	621	−1
Bass	2,400	991	+22	P & O	2,300	652½	+5½
Beecham	2,000	520	+1	Pilkington Bros	285	856	−4
Blue Circle	454	907	+2	Plessey	13,000	237	—
Boots	2,550	301	−1	Prudential	184	929	−4
Brit. Airways	9,750	170½	−1½	Racal	2,400	250	−1
Brit. Aero	3,700	637	−1	Rank Org.	21	731	−2
Brit. & Comm.	2,100	440	+8	RHM	969	330	—
Brit. Gas	28,000	114½	+3	Reckitt & Col	316	£11⅛	+0⅛
Britoil	3,600	278	—	Redland	1,300	484	+7
BP	13,000	356	+14	Reed Intl.	830	451	−4
Brit. Telecom	6,400	308	+2	Reuters	257	687	+2
Bunzl	670	250	+3	RMC	237	885	−1
Burton	6,500	319	−4	RTZ	822	£10⅛	—
Cable & Wire	6,600	402	+5½	Rowntree Mac	1,000	537	+3
Cadbury Schwps	2,000	254	—	Ryl Bank Scotland	904	321	−1
Coats Viyella	432	628	+3	Royal Insrance	2,700	895	−24
Comm. Union	4,250	326	−6	STC	3,200	288½	+3½
Cons. Gold	1,600	£10	+0⅛	Saatchi & Saatchi	3,200	624	−30
Cookson	109	699	−2	Sainsbury	1,400	575	−3
Courtaulds	605	435	—	Sears	12,000	156½	—
Dee Corpn	4,400	238	+6	Sedgwick	570	319	−7
Dixons Grp	4,500	403	−11	Shell Trans	8,200	£13¼	+0¼
English China Clays	3,100	458	+16	Smith & Nephew	1,300	165	−1
Fisons	1,900	714	−1	Standard Chart	272	818	−7
Gen. Accident	902	940	−8	Storehouse	740	310	−2
Gen. Elect.	27,000	237	+8	Sun Alliance	377	842	−3
Glaxo	2,400	£15¾	+0¼	TSB	14,000	91	−2
Globe Investment	1,700	167½	+1½	Tarmac	1,000	545	+8
Granada	3,600	350	+5½	Tesco	1,700	542	+7
Grand Met	9,000	526	+5	Thorn EMI	872	688	+3
GUS "A"	273	£13⅛	−0⅛	Trafalgar House	270	370	−2
Guardian R.E.	441	920	−1	T'house Forte	2,700	246	−2½
GKN	3,600	326	—	Unigate	679	400	+4
Guinness	6,910	340	+2	Unilever	694	£28¼	+0¼
Hanson Trust	8,700	166½	+3	United Biscuits	2,800	306	+3
Hawker Sidd	860	506	+2	Wellcome	5,800	447	+18
Hillsdown Hlgs	846	282	−5	Whitbread "A"	2,400	367	−2
ICI	1,100	£14⅛	−0⅛	Woolworth	795	863	+6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	41	47	25
Corporations, Dominion and Foreign Bonds	11	4	52
Industrials	591	340	616
Financial and Properties	228	100	264
Oils	41	22	50
Plantations	4	2	8
Mines	44	69	72
Others	74	81	78
Totals	1,034	665	1,165

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Thursday May 14 1987: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed May 13 Index No.	Tues May 12 Index No.	Mon May 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	913.88	+0.6	7.26	2.90	17.45	9.07	908.79	901.08	904.55	714.70
2	Building Materials (27)	1146.19	+0.5	7.24	2.90	17.36	9.58	1140.14	1127.09	1134.71	796.80
3	Contracting, Construction (33)	1514.18	+0.6	7.26	3.15	18.78	18.65	1505.66	1490.22	1492.78	1193.61
4	Electricals (13)	2326.50	−0.2	5.74	3.33	23.38	31.62	2330.65	2318.99	2319.25	1936.13
5	Electronics (36)	2106.64	+1.6	7.07	2.08	18.63	12.00	2073.19	2044.30	2039.37	1630.56
6	Mechanical Engineering (59)	501.85	+0.3	8.39	3.45	15.20	7.03	500.36	501.01	502.22	406.29
8	Metals and Metal Forming (7)	497.66	—	7.47	3.12	16.15	5.36	497.76	496.26	499.25	351.57
9	Motors (15)	338.46	+0.5	8.95	3.14	12.88	3.24	336.61	337.44	339.60	285.55
10	Other Industrial Materials (21)	1517.62	−0.5	6.08	3.25	19.74	18.43	1524.66	1507.69	1525.08	1290.54
21	CONSUMER GROUP (185)	1257.72	+0.5	6.06	2.57	21.30	8.29	1251.20	1237.18	1247.45	883.84
22	Brewers and Distillers (22)	1170.47	+0.5	7.51	2.89	16.92	5.09	1164.63	1159.14	1158.92	913.96
25	Food Manufacturing (25)	954.10	+0.6	7.31	3.10	18.03	10.90	948.46	938.82	945.38	650.97
26	Food Retailing (16)	2394.72	+1.0	5.51	2.33	24.91	11.45	2370.88	2330.43	2378.28	1842.03
27	Health and Household Products (10)	2368.03	+1.7	4.13	1.64	28.37	8.73	2329.55	2287.09	2313.27	1488.03
29	Leisure (31)	1307.85	−0.4	5.94	3.23	22.19	14.64	1312.74	1312.52	1320.64	855.04
31	Packaging & Paper (15)	652.01	+0.9	6.03	2.53	21.62	4.97	646.10	636.20	633.12	459.72
32	Publishing & Printing (14)	3747.42	−0.4	5.78	3.02	22.12	33.22	3762.88	3697.31	3717.77	2335.51
34	Stores (36)	1089.70	−0.3	6.13	2.58	22.25	6.56	1092.63	1081.77	1091.82	842.47
35	Textiles (16)	727.42	+0.3	7.87	2.89	14.73	5.63	725.07	722.56	727.19	509.55
40	OTHER GROUPS (87)	1070.35	+0.4	7.64	3.12	16.51	8.19	1065.80	1060.64	1072.41	776.18
41	Agencies (17)	1457.45	−0.5	4.87	1.68	27.54	8.06	1464.34	1444.43	1452.68	0.0
42	Chemicals (21)	1314.14	−0.1	7.47	3.29	16.40	18.71	1315.94	1312.48	1325.88	858.99
43	Conglomerates (11)	1322.55	+0.9	6.77	3.23	17.40	7.75	1310.13	1309.38	1324.28	0.0
45	Shipping and Transport (11)	2170.49	+0.5	7.04	3.66	18.06	23.04	2159.67	2121.02	2153.01	1540.04
47	Telephone Networks (2)	1181.86	+0.8	7.91	3.17	17.23	1.09	1172.65	1169.65	1187.97	879.21
48	Miscellaneous (25)	1399.52	+0.4	9.40	3.13	12.74	17.56	1394.29	1386.97	1393.80	1009.98
49	INDUSTRIAL GROUP (483)	1131.25	+0.5	6.79	2.80	18.77	8.72	1125.57	1115.69	1124.57	823.52
51	Oil & Gas (17)	2118.84	+2.6	5.42	4.36	23.91	37.06	2065.76	2044.50	2081.41	1170.35
59	500 SHARE INDEX (500)	1215.05	+0.8	6.59	3.04	19.40	11.20	1205.27	1194.42	1205.71	8544.9
61	FINANCIAL GROUP(117)	737.20	—	—	3.96	—	11.06	737.23	727.40	727.09	593.95
62	Banks (8)	778.05	—	18.18	4.81	7.27	15.49	777.91	771.59	770.50	628.41
65	Insurance (Life) (9)	1022.44	−0.8	—	4.12	—	20.71	1031.19	1019.95	1011.45	808.01
66	Insurance (Composite) (7)	537.65	−1.6	—	4.55	—	11.76	546.65	541.04	540.11	499.87
67	Insurance (Brokers) (9)	1215.16	−1.9	8.79	4.43	14.69	22.64	1238.84	1221.28	1187.61	1210.96
68	Merchant Banks (11)	384.93	+1.1	—	3.26	—	2.91	380.66	375.63	376.68	352.87
69	Property (46)	1111.70	+1.5	4.14	2.62	31.19	4.36	1094.79	1062.72	1073.52	749.66
70	Other Financial (27)	476.78	+0.7	6.93	3.18	18.38	3.23	473.62	471.97	474.66	346.71
71	Investment Trusts (94)	1009.71	+0.6	—	2.31	—	6.68	1004.07	1001.09	1007.35	750.06
81	Mining Finance (2)	507.11	+0.3	6.03	3.28	19.58	6.79	505.71	501.92	496.82	287.86
91	Overseas Traders (11)	1040.57	+0.6	8.76	4.30	13.81	14.27	1034.01	1001.29	995.23	692.85
99	ALL-SHARE INDEX(724)	1086.94	+0.7	—	3.16	—	10.93	1079.68	1069.34	1077.35	779.75

	Index No.	Day's Change	Day's High	Day's Low	May 13	May 12	May 11	May 8	May 7	Year ago
FT-SE 100 SHARE INDEX ‡	2180.0	+16.6	2185.4	2163.2	2163.4	2143.3	2163.3	2126.5	2077.9	1575.7

FIXED INTEREST

	PRICE INDICES	Thurs May 14	Day's change %	Wed May 13	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	125.20	−0.05	125.26	—	4.38
2	5-15 years	146.68	−0.08	146.80	—	5.03
3	Over 15 years	156.67	−0.01	156.69	—	5.16
4	Irredeemables	170.21	−0.02	170.24	—	6.07
5	All stocks	142.32	−0.06	142.41	—	4.88
	Index-Linked					
6	5 years	122.79	+0.02	122.76	—	0.83
7	Over 5 years	120.62	−0.05	120.68	—	1.17
8	All stocks	120.60	−0.04	120.65	—	1.13
9	Debentures & Loans	125.96	−0.22	126.23	—	3.79
10	Preference	87.15	+0.04	87.12	—	2.77

	AVERAGE GROSS REDEMPTION YIELDS		Thurs May 14	Wed May 13	Year ago (approx.)
	British Government				
1	Low	5 years	7.63	7.61	7.76
2	Coupons	15 years	8.64	8.63	8.74
3		25 years	8.67	8.66	8.76
4	Medium	5 years	8.55	8.52	8.88
5	Coupons	15 years	8.85	8.84	9.05
6		25 years	8.86	8.84	9.06
7	High	5 years	8.71	8.68	9.03
8	Coupons	15 years	8.98	8.97	9.17
9		25 years	8.83	8.83	9.08
10	Irredeemables †		8.73	8.73	8.70
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.21	2.21	3.38
12	Inflat'n rate 5%	Over 5 yrs	3.48	3.47	3.26
13	Inflat'n rate 10%	5 yrs	1.72	1.71	2.32
14	Inflat'n rate 10%	Over 5 yrs	3.38	3.37	3.12
15	Debs &	5 years	9.52	9.63	10.10
16	Loans	15 years	9.98	9.95	10.02
17		25 years	10.04	9.99	9.94
18	Preference †		10.39	10.39	10.72

‡Opening index 2166.4; 10 am 2166.9 11 am 2174.9; Noon 2182.3; 1 pm 2181.5; 2 pm 2183.9; 3 pm 2183.4; 3.30 pm 2177.1; 4 pm 2175.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS July	Oct.	Jan.	PUTS July	Oct.	Jan.
Allied Lyons (*431)	360	73	88	95	1	5	7
	390	45	65	75	4	10	13
	420	27	40	50	15	20	23
	460	10	23	32	42	45	48
Brit. Airways (*170)	140	32	34	44	1	3	5
	160	19	24	32	9	11	13
[illegible]							

Option		CALLS May	Aug.	Nov.	PUTS May	Aug.	Nov.
Guinness (*339)	280	60	70	80	1	3	5
	300	40	55	65	1	7	12
	330	12	32	45	3	14	20
	360	1½	17	32	23	32	37
Ladbroke (*403)	373	33	32	—	2	9	—
	403	10	34	45	9	25	28
[illegible]							

May 14. Total Contracts 58,657. Calls 36,683. Puts 21,974. FT-SE Index Calls 2,366. Puts 1,368. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§180	F.P.	15/5	207	189	Airtours10p	207	+2	R3.4	2.5	3.6	15.0
§115	F.P.	20/5	154	128	Bellwinch 10p	154	+4	R3.2	3.7	2.8	12.9
§77	F.P.	30/6	105	96	♦BondedLaminates10p	97	......	L2.4	2.4	3.4	17.0
§115	F.P.	8/5	164	133	Brooks Service Group	164	......	L3.8	2.2	3.1	17.9
§80	F.P.	8/5	224	150	♦Burford Group	224	+4	u1.2	3.2	0.73	57.7
‡‡	F.P.	—	440	400	Calor Group 50p	440	......	u12.0	2.6	3.7	14.0
130	F.P.	8/5	135	129	Cambridge Instru. 5p	131	+1	R0.7	8.8	0.7	14.9
§55	F.P.	12/6	98	68	♦Cambridge Isotope	84	......	R20.9	—	0.66	—
§200	F.P.	11/5	228	211	♦Castle Comms. 5p	228	......	R7.0	2.2	4.2	15.5
—	F.P.	—	15	10	ChildHealthRes.Wrrts	12½	......	—	—	—	—
115	F.P.	8/5	120	114	Church (Charles) 5p	120	......	R2.79	3.10	3.0	14.3
§125	F.P.	—	185	145	♦Colorgraphic 10p	185	......	L3.0	2.8	2.2	21.5
‡‡	F.P.	—	310	291	Contibel 50p	295	−5	t8.0	1.6	3.7	22.3
§130	F.P.	22/5	153	145	Cooper (Alan) 10p	145	......	t4.0	2.5	3.8	14.6
§125	F.P.	29/5	153	143	Cundell Group 10p	152	......	W3.19	3.1	2.9	15.6
§135	F.P.	29/5	172	138	Doeflex 10p	172	......	L3.45	2.30	2.7	19.8
‡‡	F.P.	—	112	83	ERA Group 5p	112	......	—	—	—	56.0
§155	F.P.	15/5	195	170	♦Epwin Group 10p	195	+3	L4.0	2.6	2.7	19.1
§120	F.P.	29/5	181	160	♦Filofax 5p	180	......	u2.7	2.8	2.0	24.1
§112	F.P.	1/5	133	115	♦HoneysuckleGr'p2p	127	......	R4.1	2.5	4.4	12.3
§120	F.P.	24/4	240	185	Mallett 5p	240	+3	u3.0	3.1	1.7	25.8
§120	F.P.	29/5	127	120	♦March Group 5p	120	......	L4.2	2.4	4.7	11.9
§114	F.P.	8/5	127	114	Melville StreetInv.	122	......	1.4	1.2	1.6	—
—	—	—	35½	25	Do. Warrants	34½	......	—	—	—	—
225	F.P.	24/4	352	225	MercuryAssetMgmt.5p	352	......	R5.0	4.0	1.9	17.6
§106	F.P.	—	120	113	♦Orchid Technology	118	......	R02.57c	5.2	1.4	13.7
§180	F.P.	1/5	207	180	Perpetual 10p	207	......	u2.5	4.5	1.6	17.8
§95	F.P.	10/4	102	96	RCO 10p	96	......	L3.91	2.1	5.5	11.8
§55	F.P.	3/6	88	64	♦RKF Group 10p	87	−1	u2.19	2.4	3.4	15.0
§140	F.P.	1/5	181	163	♦RelianceSecGroup5p	170	......	b4.5	2.5	3.6	15.2
§135	F.P.	—	230	163	♦Select Appts. 1p	227	......	L2.5	2.8	1.5	32.5
125	F.P.	—	260	205	♦Sock Shop Intl.5p	257	......	K1.35	3.8	7.2	49.7
§125	F.P.	2/6	165	158	♦UCL Group 5p	161	+1	u2.5	2.8	2.1	22.7
§140	F.P.	15/5	187	171	Waterglade Intl. 5p	187	+2	R3.25	3.5	2.3	15.4
130	F.P.	16/3	151	134½	Wilson Bowden10p	150	......	L3.4	3.0	3.1	14.7
§120	F.P.	29/4	210	145	♦WyevaleGdn.Cen.50p	210	......	u2.63	2.8	1.7	28.5
§133	F.P.	22/5	148	136	YRM 10p	145	−2	R4.41	3.5	2.2	17.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
§98.919	F.P.	29/5	102	95	Asda Prop.10⅞% 1st Mort.Deb. 2011	102	......
§100	F.P.	—	111	111	Barkam Grp. Cnv. Red. Prf. 10p	111	......
‡	£30	3/6	52	38	DixonsGrpNon-int-bmg.Cv.Un.Ln(£1)	50½	−1½
103.09	£30	—	13	13	East Anglian Water 7% Red Prf 1996/98	13	......
—	F.P.	29/5	111¼	109	Ests.&Genlnv.new11¼%1stMt.Deb2018	111¼	......
—	F.P.	—	100p	96½p	Friendly Hotels 4¾% Cnv Cum Red Prf £1	100p	+1
[illegible]							

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

May 14	Price Sch%	+ or −
Creditanstalt	1900	.....
Goesser	2970	−10
Interunfall	11970	−10
Jungbunzlauer	8550	+150
Laenderbank	1800	.....
Perlmooser	665	.....
Steyr-Daimler	140	.....
Veitscher Mag	765	−33

BELGIUM/LUXEMBOURG

May 14	Price Frs.	+ or −
B.B.L.	3160	+40
Banque Gen. Du L.	15500	.....
Bank Int. A Lux.	14350	.....
Bekaert B	10300	−50
Ciment CBR	5200	+100
Cockerill	155	+6
Delhaize	3230	.....
EBES	5000	+90
Fabrique Nat	1800	−10
GB Inno BM	1080	.....
GBL (Brux)	3744	.....
General Bank	6400	+20
Gevaert	6620	+70
Hoboken	7270	+40
Intercom	4350	+50
Kredietbank	4400	.....
Pan Holdings	12050	.....
Petrofina	11175	+225
Royale Belge	8000	.....
Soc Gen Belge	3750	+5
Sofina	14350	+225
Solvay	10000	−50
Stanwick Intl.	450	.....
Tractebel	7250	+10
UCB	9570	+40
Wagons Lits	5300	−160

DENMARK

May 14	Price Kr %	+ or −
Baltica Skand	900	−15
Cop Handelsbank	273	−2
D. Sukkerfab	340	.....
Den Danske Bank	340	+1
East Asiatic	197	+3
Forenede Brygg	870	.....
GNT Holding	272	+7
I.S.S.B. Systems	745	.....
Jyske Bank	510	.....
Novo Inds.*	254	−3
Privatbanken	275	−1
Sophus Berendsen	850	+15
Superfos	192	.....

FINLAND

May 14	Price Mks	+ or −
Amer	252	+3.5
KOP	51.4	−0.4
Kone	213.5	.....
Finnish Sugar	95	−6.5
Nokia	172.5	.....
Pohjola 'B'	84.75	−3.95
Rauma-Repola	27.5	−0.3
Stockmann 'B'	221	−0.5
UBF 'C'	32.45	−1.15
Wartsila (S11)	265.5	−6

FRANCE

May 14	Price Frs.	+ or −
Emprunt 4½% '73	1861	−41
Emprunt 7% 1973	7000	.....
Accor	505	−8
Air Liquide	714	−6
BIC	765	−23
BNP (Cert. Inv.)	590	.....
Bongrain	2850	−110
Bouygues	1235	−10
BSN Gervais	5170	−70
[illegible]	[illegible]	[illegible]

GERMANY

May 14	Price Dm.	+ or −
AEG-Telef	310.00	−3.5
Allianz Vers	1675.00	−30
BASF	279.00	−3.8
Bayer	308.50	−4.3
Bayer-Hypo	403.00	−9
Bayer-Verein	400.00	−3
BHF-Bank	416.00	−2
BMW	577.00	−3
Brown Boveri	337.00	−0.5
Commerzbank	260.00	−4
Cont'l Gummi	330.00	−2.2
Daimler-Benz	985.00	−21
Degussa	531.00	−2.5
D'sche Babcock	211.40	−0.6
Deutsche Bank	625.50	−13.5
Dresdner Bank	327.00	+6
Feld Muehle Nob	299.50	+1.5
Henkel	515.00	−4
Hochtief	722	.....
Hoechst	282.50	−1.7
Hoesch Werke	116.30	−1.6
Holzmann (P)	390.00	+2
Horten	228.50	+1
Husel	571.40	+0.4
Karstadt	434.00	+7
Kaufhof	504.00	−1
KHD	150.00	−2
Kloeckner	45.50	−1.2
Linde	680.00	−15
Lufthansa	176.50	−0.5
MAN	165.50	−0.1
Mannesmann	165.00	−2.8
Mercedes Hld.	833.00	−7.5
Metallgesell	343.00	−5
Muench Rueck	1798	−2
Nixdorf	800.00	−6
Porsche	849.80	+6.3
Preussag	161.00	−4
Rhein West Elect	221.00	−3
Rosenthal	238.00	−1
Schering	531.00	+1
Siemens	708.50	−5
Thyssen	115.50	−4
Varta	325.00	−6
Veba	291.00	−2.6
V.E.W.	160.50	−1
Verein-West	424.00	.....
Volkswagen	354.00	−8.8

ITALY

May 14	Price Lire	+ or −
Banca Com'le	23,800	−200
Bastogi-IRBS	701	+22
CIR	6500	−30
Credito Italiano	2290	+35
Fiat	13200	−20
Generali Assicur	134500	−100
Italcement	94500	−800
La Rinascente	1251	−39
Montedison	2800	+20
Olivetti	13430	+30
Pirelli Co	6795	−825
Pirelli Spa	5605	−5
Saipem	4120	−160
Snia BPD	4251	−79
Toro Assic	33400	+760

NETHERLANDS

May 14	Price Fls.	+ or −
ACF Holding	61.20	−0.8
AEGON	94.1	−0.5
Ahold	104.	−1
AKZO	133.8	.....
ABN	499.	−4
AMEV	62.2	−0.8
AMRO	76.6	−0.4
Bredero Cert	45.	−2
Buehrmann-Tet	56.7	+0.4
Dordtsche Petroleum	244	+6
Elsevier Ndu	50.	−0.3
Fokker	47.2	−0.6
Gist Brocades	43.5	−0.1
Heineken	176.5	−1.5
Hoogovens	41.7	−0.6
Hunter Douglas	53.	−0.3
IHC Caland	22.	+0.5
[illegible]	[illegible]	[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices May 14

[illegible]

MONTREAL
Closing prices May 14

[illegible]

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

TORONTO

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TOKYO – Most Active Stocks
Thursday, May 14, 1987

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 39

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Atlantic Comp.	727	+35
Bank of Ireland	258	+13
Bass	991	+22
Blenheim Exh	310	+25
Brit Land	249½	+ 0
BP	356	+14
Christies Intl.	550	+22
Cowie (T.)	528	+26
Dalyn Pckg	513	+51
El & Goldstein	109½	+ 9
Eng Ch Clays	458	+16
Ford (Mart)	112	+11
GEC	237	+ 8
Jerome (S.)	212	+25
Kleinw. Benson	522	+13
Lamont Hldgs.	291	+19
Mercury Intl.	389	+17
Polly Peck Intl.	305	+11
Southend Stad	723	+56
Tomkinsons	453	+23
Wade Potts	258	+25
W Greenbank	116	+10½
Wellcome	447	+18
FALLS:		
Gen Accident	940	− 8
Ladbroke	402	− 7
Minet Hldgs	334	−12
Royal Insce	895	−24
Saat & Saat	824	−30
Sun All.	842	−23
Thames TV	485	−34

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.6	22	43	31½	31¼	31⅝	
37	21⅞	ADT	.92	2.9	18	625	32⅜	31¼	32	+⅝
41½	23⅝	AFG	.12e	.3	11	35	38¼	37⅞	37⅞	
44¾	16¾	AGS			23	346	44	42¾	44	+1¼
13¾	6¾	AMCA				10	8¼	8¼	8¼	
9⅝	4⅞	AM Intl				1215	7	6⅝	7	+½
62⅛	47¼	AMR			12	6839	58	57½	58	+⅞
27½	25	ANR pf	2.67	10.		161	25¾	25¾	25¾	
11¾	8	ARX s			12	220	11½	10¾	10⅞	−½
73½	28¾	ASA	2a	3.0		x1477	66¼	64¼	65⅞	+1⅜
20	9¾	AVX		1.7	94	816	19	18⅝	18⅞	+¼
67	41	AbtLb s	1	1.6	26	10212	61⅞	59½	61⅞	+1⅝
34¾	25	AccoWd	.62	2.1	19	95	30	29¾	29¾	−¼
15⅛	9	AcmeC	.40	3.0	9	129	13¼	12⅞	13⅛	+⅛
8⅝	6⅛	AcmeE	.32b	4.1	30	19	7⅞	7¾	7¾	−⅛
23⅞	19	AdaEx	3.42e	16.		71	21⅛	20⅞	21⅛	+⅛
19½	11⅝	AdmM s	.24	1.5	12	115	16	16	16	
21½	12⅛	AdvSys	.62	3.2	15	145	19¼	19	19⅛	−¼
28½	12⅞	AMD				4233	21⅞	21½	21½	−¼
54¾	48⅝	AMD pf	3	5.6		702	53⅝	53⅜	53⅝	−⅛
10¾	5¼	Adobe				239	10	9⅝	10	+⅜
20½	13¾	Adob pf	1.84	9.2		2	20	20	20	
21⅞	16⅜	Adob pf	2.40	11.		4	21¼	21¼	21¼	
16⅝	11½	Advest	.12a	.8	11	58	14¼	14⅛	14½	
68¼	53	AetnLf	2.76	4.8	9	3565	58	57⅜	58	+⅝
52	22½	AfilPb s	.32	.6	27	790	u53	51¼	53	+1¾
28¾	18⅞	Ahmns s	.88	4.3	6	4276	20¾	20¼	20½	−¼
5¾	2⅞	Aileen				39	4⅜	4¼	4⅜	
48½	29⅛	AirPrd	.80	1.7	25	2083	46¼	45½	46¼	+⅝
35¼	16	AirbFrt	.60	1.7	14	820	u36	34⅝	35½	+¾
12	7⅝	Airgas n				54	10½	10	10½	
20⅝	16⅝	Airlse n	1.03e	6.1		180	17	16⅞	16⅞	
17-32	¼	AlMoan				20	13-32	⅜	⅜	
10¾	8⅞	AlaP dpf	.87	8.8		250	10	9⅞	9⅞	−¼
108	97	AlaP pf	9.44	9.3		z530	101	100	101	+1
104	88	AlaP pf	8.16	9.1		z300	89½	89½	89½	−½
98½	83½	AlaP pf	8.28	9.3		z100	89	89	89	−½
27⅞	14¼	AlskAir	.16	.8	13	3210	19⅝	18¾	19	−½
27½	13½	Alberto	.24	1.0	31	38	24⅝	24⅛	24¼	−½
22⅝	13½	AlbCulA	.24	1.2	25	17	19¾	19½	19½	−¼
55⅞	33¾	Albtsns	.96	1.9	17	302	51⅞	51¼	51⅞	+⅛
46⅝	27⅝	Alcan	.80	1.7	17	1677	46½	46¼	46¼	−⅛
28½	18⅝	Alcan wi				17	u31½	31¼	31¼	
51⅞	37	AlcoStd	1.28	2.6	17	330	49⅝	48	48¼	+⅛
42⅝	22⅝	AlexAlx	1	4.3	28	9300	23⅞	22⅞	23¼	+⅝
50½	34½	Alexdr			46	44	48⅛	48	48	−¼
99¼	65½	AllegCp			14	78	98	96½	98	+1
24¾	11⅝	AlgInt				651	19⅛	18½	18½	−½
20⅛	9½	AlgIn pr				13	17¾	17¾	17¾	+¼
92¼	38	Algl pfC				5	83	83	83	
29⅝	27	AlgLudn				2763	29⅛	28½	29	−⅛
53⅞	38⅝	AllgPw	2.92	7.3	10	750	40¾	40	40¼	−⅛
74¾	48½	Allegis	1	1.4	22	35084	74	70½	71⅛	+1½
24	14½	AllenG	.55	3.3		37	17	16⅞	17	+¼
28⅞	20¾	Allen pf	1.75	8.1		7	21⅝	20¾	21⅝	−⅛
45½	31⅞	AlldPd			11	479	38½	37¼	38	+⅜
48¼	36¾	AldSgn	1.80	4.3	12	3031	42⅞	42⅛	42¼	−½
10⅛	6¼	AlldSup			28	782	8⅜	8⅛	8¼	−⅛
5½	2⅛	AllisCh				1265	3¼	3⅛	3¼	
37½	25¼	AlisC pf				2	30⅝	30⅜	30⅝	+⅛
47¼	35¼	ALLTL	2.04	5.2	16	63	39½	39	39⅜	+⅜
31½	23⅝	Alltl wi				1	27	27	27	
61⅞	32⅝	Alcoa	1.20	2.3	45	6851	u52	51¼	51⅜	−⅛
24⅝	10½	Amax			36	8821	22⅛	21⅝	22⅛	+¼
45	32½	Amax pf	3	7.1		1	42¼	42¼	42¼	+¼
37⅝	16½	AmHes			14	4458	37¼	36¾	37	+½
40½	9⅝	ABrck g				385	39¼	38½	39¼	+⅝
53	40⅝	ABrnd	s2.08	4.7	13	2458	44⅝	43½	44¼	+½
34⅞	32	ABrd pf	2.75	8.6		10	32	d31¾	32	
26	21⅛	ABldM	.90	3.5	18	112	25⅝	25	25¼	−⅜
34⅛	23¼	ABusPr	.80	2.8	17	18	28⅝	28⅝	28⅝	−¼
25⅝	20⅛	ACapBd	2.20	9.6		70	23	22¾	22⅞	
35⅝	28¾	ACapCv	5.82e	18.		6	32⅝	32½	32½	+¼
24⅞	14⅝	ACMR	1e	6.0	11	215	17⅛	16⅝	16⅝	−⅝
7⅛	2⅞	ACentC				1	3⅜	3⅜	3⅜	
95½	59½	ACyan	2.10	2.3	20	880	91¼	90⅞	91¼	+⅜
48¼	34¾	ACyan wi				18	46¼	45½	46	+½
31⅛	24⅝	AEIPw	2.26	8.4	10	2037	27⅛	26⅝	26⅞	−⅛
40⅝	28⅞	AExp s			12	8802	33¼	32½	32⅞	−⅛
18⅝	10¾	AFamil s	.22	2.0	8	975	11⅛	d10⅝	10⅞	−⅛
46¼	34⅛	AGnCp	1.25	3.4	8	1109	37¾	37⅛	37¼	
24	15¼	AGnl wt				116	16	15¾	15¾	−¼
20	16⅛	AHltP n	.22e	1.3		343	16¾	16⅝	16⅝	
9⅝	6⅛	AHoist				61	8¾	8⅝	8¾	+⅛
24⅝	18¾	AHoist pf	1.95	9.0		2	21¾	21⅝	21⅝	+⅛
94⅞	71¾	AHome	3.34	4.0	16	1481	84⅝	84	84⅛	−⅛
101½	78	Amrtc s	5	6.0	11	1224	84⅛	83¼	83¾	−¼
82	54⅞	AInGr s	.25	.4	13	2276	64¾	63¾	64	+⅞
20¼	13⅝	AMI	.72	4.0	13	1638	18¼	17¾	18	+¼
4¾	2½	AmMot				2183	4½	4⅜	4½	
38	22	AMotr pf	2.38	6.4		11	37	36⅞	36⅞	
42¼	20½	APresd	.50	1.2	22	561	41⅝	40⅛	41	+1
79¼	48½	APrsd pf	3.50	4.5		72	78½	78¼	78¼	+1¼
18⅝	11½	ASLFla			2	279	13	12⅝	13	+⅜
24⅝	19⅝	ASLFl pf	2.19	10.		35	21⅝	21⅝	21⅝	+⅛
12	7⅝	AShip	.40	5.2		46	7¾	7⅝	7¾	
51⅞	36	AmStd	1.80	4.2	9	301	43⅛	41¾	43⅛	+1
71⅛	51⅝	AmStor	.84	1.2	19	183	70½	70⅛	70⅛	
81	63¼	AStr pfA	4.38	5.7		5	76¾	76¾	76¾	+½
27⅞	22⅛	AT&T	1.20	4.6	22	38478	26¼	26⅛	26⅛	
52½	46½	AT&T pf	3.64	7.2		2	50⅝	50½	50½	−⅛
53	47¼	AT&T pf	3.74	7.4		2	50¾	50¾	50¾	+⅛
51¾	32¼	AmWtr	1.28	3.2	11	44	40¾	40¼	40½	−⅜
13½	9¼	AmHotl				26	12⅜	12¼	12¼	
44⅝	28	ATr pr				14	33½	33	33½	−⅛
124¼	104⅝	ATr un	6.27	5.7		1	110	110	110	+¼
35½	22	Ameron	.96	2.9	13	10	33	33	33	−⅛
33¾	19¼	AmesDp	.10	.4	31	1405	22⅞	22¼	22¾	+⅝
33¼	23⅝	Ametek	1	3.3	18	161	30⅝	30¼	30⅜	−⅜
12⅝	10⅝	AmevSc	.96	8.8		71	11	10⅞	11	
33½	21½	Amfac				199	30¼	29⅝	29½	−⅝
34	25⅝	Amfac pf	1.89	5.8		16	32¼	32	32¼	+¼
8¼	1½	vjAmfsc				199	3	2⅞	2⅞	−⅛
89¾	54½	Amoco	3.30	3.8	33	2183	87⅞	86	86⅝	−1½
58½	32⅞	AMP	.80	1.4	34	3061	u58⅝	57⅜	57¾	+¼
18½	12¾	Ampco	.30	2.0		86	15⅜	15⅛	15¼	−⅛
23⅝	11¼	Amrep s			13	2	14	14	14	+¼
38½	28¼	AmSth	1.16	3.5	10	15	33¼	33⅛	33⅛	−⅛
9½	2¾	Anacmp			55	1527	8⅞	8½	8¾	
31½	18⅝	Anadrk	.30	1.0		947	29⅝	27¾	29⅝	−¼
24⅛	14¼	Analog			51	1137	22¾	22¼	22½	+⅛
24⅞	10¼	AnchGl s	.08	.3	14	994	24½	23¾	24	
35	24⅝	Anchor	1.48	4.9	26	263	30⅛	30	30⅛	+⅛
29¾	22	Angelic	.64	2.3	16	150	28½	28	28¼	+⅛
16	13⅝	AngIcm	1.62	10.		8	14⅝	14½	14⅛	−⅛
36⅝	23	Anheu s	.48	1.4	19	3552	34¼	33½	33½	−¼
141½	63½	Anheu pr	3.60	2.6		9	131	129	129	−3
18⅝	8⅝	Anthem			47	42	17⅞	17½	17¾	+¼
18⅝	8¼	Anthny s	.44	3.0	35	101	14⅝	14½	14½	−⅛
63	47¾	Aon Cp	2.40	5.0	7	497	49	48	48¼	−¾
12⅝	7⅞	Apache	.28	2.4		74	11⅝	11⅜	11½	−⅛
14⅞	6	ApcP un	.70	8.9		305	8	7¾	7⅞	−⅛
101½	83½	ApPw pf	8.12	9.4		z220	86	86	86	
84⅝	77	ApPw pf	7.40	9.6		z4000	77½	77¼	77¼	
29¼	25½	ApPw pf	2.65	9.8		2	27	27	27	−¼
33¼	30	ApPw pf	4.18	13.		3	31⅝	31⅛	31⅛	
31¾	25⅛	ApPw pf	3.80	13.		1	28⅝	28⅝	28⅝	+⅛
40⅛	12¾	ApplMg			30	242	38	37⅝	37⅝	−½
25⅝	16½	ArchDn	.10b	.5	12	4210	19⅞	19½	19⅞	+⅜
31	17¾	Aristc n	.16e	.6	17	786	28⅞	28½	28¾	−⅛
30¼	16	ArkBst s	.36	2.0	11	100	17¾	17	17⅜	
25¼	17¼	Arkla	1.08	4.4	16	846	25	24⅝	24⅝	−¼
61	49⅞	Arkla pf	3	5.9		41	50⅝	50⅝	50⅝	−⅛
18⅝	8¼	Armada			13	2	13¾	13¾	13¾	−¼
12¾	4⅛	Armco				1773	12⅝	12⅛	12¼	+⅛
25	13	Armc pf	2.10	8.8		12	24	23⅞	23⅞	
44	24⅞	ArmWI s	.90	2.4	14	604	38⅞	37¾	38⅛	+⅛
21⅜	13½	Armtek	.48	2.4		191	20⅛	19⅝	20⅛	+⅜
13½	5⅞	ArowE	.20j			89	6⅝	6¼	6⅝	
24¾	9¼	ArowE pf	1.94	14.		13	13⅞	13⅞	13⅞	+¼
32½	20¾	Artra			121	39	30⅝	30⅛	30¼	−⅛
38¾	22½	Arvin	.68	1.8	16	337	38⅜	38½	38½	−⅞
28¾	10	Asarco				658	26⅛	25⅝	25¾	
49¼	24¼	Asarc pf	2.25	5.1		107	44⅞	44¼	44½	−½
66½	53⅜	AshlOil	1.80	2.8	15	1678	65	63⅝	64½	+1½
11¾	10	AsiaPcn				1195	10⅛	d9¾	9¾	−¼
15½	8¼	AtalSo n			12	2	11⅛	11⅛	11⅛	+⅛
21⅝	15½	Athlone	.60	7.4	42	290	u21½	21	21½	+⅝
46⅝	33⅝	AtCyEl	2.62	7.4	11	86	35⅞	35½	35½	−½
94⅜	46¼	AtlRich	4	4.3	31	4219	93⅝	92½	93⅝	−⅜
224½	109	AtlRc pr	2.80	1.3		3	223	221⅝	222	+1½
27¾	11⅞	AtlasCp				82	24⅝	24	24⅛	+⅛
13½	5⅛	AudVd			11	411	5⅜	5¼	5½	+⅛
29⅝	15	Augat	.40	1.6	43	517	24¾	24¼	24¾	+½
31	17⅞	Ausimt	.32	1.5	13	139	21¾	21¼	21¾	+½
51	29	AutoDt s	.36	.8	28	1523	47	46⅛	46¾	+⅞
6⅛	3¼	Avalon			38	55	5⅞	5¾	5¾	+⅛
46¼	28	AVMC	.50	1.1	14	32	46¼	45⅞	45⅞	−⅛
26½	18⅛	Avery s			19	1890	24¼	23½	24	+¼
38¼	25¼	Avnet	.60	1.4	63	1232	35¾	35¼	35½	+¼
36⅝	26¼	Avon	2	6.3	14	x2622	31⅝	31⅛	31½	+¼
37½	17½	Aydin			16	38	33¾	33½	33¾	
		B B B								
8⅝	4⅛	BMC				23	8	7¾	7¾	−¼
40¾	23½	Bairnco	.70	1.9	16	32	37¼	37¼	37¼	−⅛
23⅝	15⅞	BkrHu n	.46	2.1		3415	22	21½	21¾	−⅛
24	17⅛	Baldor	.44	2.2	19	14	20⅜	20¼	20¼	+⅛
45½	34½	Ball	.82	2.0	16	184	41⅞	40⅞	41½	−⅛
23⅞	14⅝	BallyMf	.20	1.1	22	823	17¾	17⅜	17¾	
39⅞	26¾	BaltGE	1.80	5.9	10	2036	30¾	30¼	30⅜	
64	50	Balt pfB	4.50	7.4		z110	61	60½	60½	−½
30⅛	22⅝	BncOne	.92	3.7	10	278	25⅜	24¾	25	
47	21¼	BncCtr	.92e	2.3		5	40¼	40¼	40¼	+⅛
1⅞	¼	BanTex				1033	¾	⅝	¾	+1-16
65⅞	38½	Bandg s	.70	1.1	20	1959	65	64¼	64¼	−⅛
34⅝	22¾	BkBost	1	3.1	8	737	33½	32½	32¾	−⅜
52⅝	47⅜	BkB pfA	3.01e	5.8		111	51¾	51⅝	51⅝	
52¾	46⅛	BkB pfB	3.01e	5.8		15	52	51⅜	52	+⅝
48¾	37⅛	BkNY s	1.68	4.1	8	777	41⅜	41	41⅜	+⅜
17½	9½	BnkAm				8239	12	11⅝	11⅞	−⅜
40⅞	26	BkA pf	3.24e	9.8		12	33⅛	33⅛	33⅛	
71½	44¾	BkA pf	6e	11.		40	52⅞	52¾	52⅞	
13⅝	7¼	BkA pf	2.88			230	8⅝	8½	8½	−¼
33⅞	29	BkARty	2.40	7.5	14	57	31⅞	31⅛	31⅞	+⅞
52½	41⅛	BnkTr	s1.66	3.6	8	2337	47	45⅝	46⅛	−¾
25¾	15½	Banner	.06	.3	13	118	23½	22⅞	22⅞	−½
36½	26½	Barcly n	1.48e	4.0	108	2	u36⅝	36⅝	36⅝	+⅛
50¼	28⅝	Bard	.40	.9	24	1247	44¾	43½	44⅝	+1⅜
40¾	30⅝	BarnGp	1	2.8	15	16	35⅞	35¾	35⅞	
40⅞	31⅛	Barnet s	.92	2.5	12	1641	37⅞	37⅛	37½	
24	14⅝	BaryWr	.60	3.2	21	79	19⅜	19	19	−¼
11½	6⅞	BASIX	.14t	1.9		116	7⅝	7½	7⅝	+⅛
49⅝	33¾	Bausch	.86	1.9	18	449	48	44¾	46	−¼
26⅛	15⅝	BaxtTr	.44	1.9	12	7768	23½	23	23¼	
50	44½	BxtT pfA	2.98e	6.1		763	48⅝	48⅝	48⅝	+⅛
86½	59⅝	BxtT pfB	3.50	4.4		557	80⅞	79¼	80	−⅜
33¼	22½	BayFin	.20	.9	55	16	22⅝	22⅝	22⅝	−⅛
30⅝	20½	BaySG s	1.52	5.4	11	39	28½	28¼	28⅜	−⅛
23½	15⅜	BearSt	.48b	2.8	8	1790	17¾	17	17	−½
50	48⅝	BearS pf	.42e	.9		100	49⅛	49⅛	49⅛	−⅛
40½	31	Bearing	1	2.6	21	285	38½	38	38	−½
16	9¼	Becor	.20	1.4		413	14⅛	14	14⅛	+⅛
68¾	45⅝	BectDk	.74	1.3	19	1621	56½	55¾	55½	+⅜
1⅛	5-32	vjBeker				180	7-16	13-32	13-32	−1-32
23¾	17¼	BeldnH	.40	1.7	15	17	23½	23½	23½	+¼
51½	35½	BelHwl	.62	1.4	16	123	45⅛	44⅝	44⅝	+⅛
50	35¼	BelHw pf	.74	1.7		1	44½	44½	44½	+½
77	60½	BellAtl	3.84	5.9	11	1359	65⅝	64½	65⅛	+⅜
33⅝	24⅞	BCE g	2.40		8	1208	31¼	31⅛	31¼	+⅛
26⅛	16⅝	BelInd	.32	1.5	31	10	22	22	22	
46	34¾	BellSo	s2.20	5.8	11	3361	38⅛	37⅝	38⅛	+⅜
66¼	49	BeloAH	.80	1.3	20	86	60⅜	60½	60¾	+½
36	22⅞	Bemis	.72	2.1	18	108	35½	34⅝	35	−¼
78⅝	44¼	BenICp	2	4.0		168	49½	48¾	49½	
62	45½	Benef pf	4.30	9.1		6	47	46½	47	+¼
62	47	Benef pf	4.50	9.0		z100	50	50	50	+½
38	24⅝	Benef pf	2.50	9.3		z200	26¾	26	26¾	−¼
9⅞	3⅛	BengtB			36	1998	8⅝	7½	8⅝	+⅝
7⅛	2⅞	Berkey				99	5⅜	5⅜	5⅜	−⅛
16⅜	8⅛	BestPd				197	9⅜	9¼	9⅜	
17¼	4⅝	BethStl				2046	15¼	15¼	15⅜	−¼
46¾	12¾	BethSt pf				71	37½	37	37⅜	+¼
24⅝	6⅝	BethS pfB				395	19	18½	18⅞	+⅛
22½	14⅛	Bevrly s	.20	1.4	20	3092	14¾	14¼	14¾	+¼

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 37

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Improved trade figures fail to inspire buying

WALL STREET

FAILING to respond to the reduction in the US trade deficit, Wall Street stock and bond markets continued to drift in tandem yesterday, *writes Roderick Oram in New York.*

Although the $13.6bn deficit in March was in line with forecasts, the longer term trend for US trade performance remains unclear. The dollar held steady on the news while bonds showed modest losses.

The Dow Jones industrial average closed down 4.19 points at 2,325.49. Blue chips lagged behind the rest of the market for the first time in three days. The Standard & Poor's 500 index added 0.25 to 294.23 and the New York and American stock exchange composite indices edged up 0.06 to 165.76 and 0.35 to 330.83.

NYSE volume of 152m was the lowest in 10 days with an almost equal number of stock rising as falling.

In contrast to the blue chips, the Dow Jones transportation index set a record for the second day. Boosted by railroad and airline stocks it rose 8.56 to 976.05.

Among its components, AMR, parent of American Airlines, added $⅞ to $58, Burlington Northern rose $1 to $74, Santa Fe added $⅜ to $44⅛, Delta Air Lines advanced $⅜ to $53⅜, USAir gained $⅜ to $45.

Takeover speculation continued to push a number of stocks. Allegis added $1⅛ to $71½ despite the news earlier this week that Boeing, down $⅜ to $45⅜, was taking a 14 to 16 per cent shareholding in Allegis as part of a deal to sell aircraft to Allegis's United Airlines subsidiary.

General Mills rose a further $3⅛ to $54½ after a $6 jump on Wednesday as rumours continued that RJR-Nabisco, up $2 to $51⅛ was considering a bid for it.

International Controls gained $3⅛ to $43⅜. ICC Acquisition Corp raised its bid for the electronics and aerospace group to $42.50 from $32 a share and extended its offer to all the company's common shares.

General Electric gained $1⅛ to $105⅜. It installed its own executives at the top of Kidder Peabody, the Wall Street investment dealer it acquired majority control of last year.

Brokerage shares were mixed yesterday despite the setback for the government's apparent difficulty in bringing insider trading cases. It dropped charges against three Wall Street executives. Salomon Inc fell $½ to $33⅞, E. F. Hutton added $⅜ to $36⅛, PaineWebber gained $⅛ to $31⅛, Morgan Stanley slipped $⅛ to $74⅛ and A. G. Edwards was off $½ to $30½.

Among oil companies, Royal Dutch Petroleum jumped $5⅜ to $134 after reporting a small decline (in sterling terms) in profits in the first quarter and British Petroleum added $2⅜ to $71⅞.

Minstar rose $½ to $22⅛. Shareholders of the company, which is the primary vehicle for Mr Irwin Jacobs, the corporate raider, were told investment bankers are seeking ways to enhance the value of Minstar's stock.

Credit and foreign exchange markets responded little to the March merchandise trade figures released yesterday morning. The deficit of $13.6bn was in line with forecasts but showed hardly any improvement from the average of January ($12.3bn) and February ($15.1bn). The US deficit with Japan was virtually unchanged with no prospects, judging from Japanese figures already released, of an improvement in April.

Bond prices drifted in a narrow range slightly below the previous day's close. the 8.75 per cent new Treasury benchmark long bond finished the day off ⅜₂ of a point at 100⅛, close to its low for the day, yielding 8.72 per cent. Three-month Treasury bills rose about 25 points.

CANADA

OIL AND METAL shares held firm in busy Toronto trading but weakness in most other sectors restrained overall gains.

Dome Petroleum shed 8 cents in busy trade to C$1.30 before the meeting at which shareholders gave their verdict on the Amoco takeover proposal.

Also in oils, Gulf surged C$1⅛ to C$33⅛ after Wednesday's higher first quarter results. Shell Canada put on C$⅛ to C$48⅛.

Metals also featured, with Inco up C$⅛ at C$25⅛, Falconbridge C$⅛ higher at C$23⅞ and International Corona up C$⅜ at C$43⅜. Golds, however, fell back.

Montreal gained slightly. Vancouver fell back.

SOUTH AFRICA

THE RISING bullion price and renewed investor confidence lifted Johannesburg stocks strongly yesterday, with the industrial index edging up 10 points to a new high of 1,941.

Combined with the strength of gold shares, the overall index was also at a record, up 6 at 2,410.

Among leading golds, Vaal Reefs rose R10 to R435 and Randfontein added R5 to R475. Platinums were little changed, but diamond stock De Beers moved ahead 50 cents to R41.

Industrials saw Barlow up 25 cents at a new high of R26.50.

Alan Cane on a computer which gives stock answers

Race to provide UK 'talking prices'

BRITISH Telecom, the UK's dominant telecommunications supplier, and Telephone Information Services (TIS), a tiny UK information vendor selling weather forecasts and horse racing results, are locked in battle for the lion's share of a new and potentially lucrative market for low-cost share price information.

Both announced their new services at midday yesterday. Both had altered their planned launch dates to avoid being upstaged by the other.

The British Telecom service, Citycall Portfolio, an extension to its existing Citycall phone-in price service, and TIS's Teleshare are both based on a sophisticated computerised voice response technology common in the US but still comparatively rare in Europe.

They both take computerised share price information straight from the stock exchange's Seaq price distribution system and convert the numbers into computer-generated speech.

Subscribers have access to the information by calling a designated number. They can then "talk" to the computer by keying in four-figure codes from their telephone key pads. A computer generated voice replies, giving the requested information.

A "touch tone" or "multifrequency" telephone has to be used.

TIS gives each subscriber such a telephone as part of its £35 ($58) registration fee; British Telecom, for its £25 registration fee provides a tone generator, a small key pad which makes a conventional telephone behave like a touch tone model.

Touch tone/voice response systems have been used extensively in the US. Dow Jones, for example, provides share prices over such a system and Dun & Bradstreet operates a voice response credit clearing service.

Its use in the UK has been limited by the lack of touch tone telephone handsets, but the Trustees Savings Bank two weeks ago launched a home banking service based on the technology.

British Telecom and TIS are using different systems, although the basic technology is similar. Yesterday, they were trumpeting the individual merits of their services. British Telecom claims to be cheaper with a £25 registration fee and £25 yearly subscription.

Teleshare costs a one time fee of £35 plus £35 annual subscription but it is faster than Citycall and provides special messaging services for professional advisers and corporate clients.

EUROPE

Brussels hits record as political crisis recedes

CORPORATE news and domestic developments determined the mood in European bourses yesterday. Belgian shares rose to a new peak as worries over the linguistic row receded.

Brussels picked up strongly although relatively thin trading exaggerated movements. The stock exchange index gained 37.11 to a record 4,665.74 when a temporary solution to the language solution emerged and the immediate threat to the Government diminished.

Underlining investors' relief, market leader Petrofina rose BFr 225 to BFr 11,175, breaching the 11,000 level for the first time.

Royale Beige was unchanged at BFr 8,000 following French insurer UAP's purchase of a 4.6 per cent stake to help Belgian companies war off Axa, another French insurer.

Elsewhere, Reserve added BFr 5 to BFr 3,750 and Sofina gained BFr 225 to BFr 14,350,

Milan recovered to a mixed to firmer close on the first day of the new trading month, although some investors remain cautious in the run-up to elections in a month's time.

The Government's move to lift the restriction on purchases of foreign securities appeared to have little immediate impact.

Frankfurt trading was dominated by Deutsche Bank's one-for-15 rights issue and share prices generally turned lower while many investors were sidelined. The easier dollar provided an unhelpful backdrop and the Commerzbank index lost 11.3 to 1,788.3.

Deutsche Bank finished DM 13.50 lower at DM 625.50. Co-chairman F. Wilhelm Christians said operating profit fell in the first quarter and securities business declined as expected. The sector was generally weak, with Commerzbank and Dresdner both DM 4 lower at DM 260 and DM 327.

The chemical sector tended easier but losses were trimmed by BASF's modest rise in first quarter results which followed Bayer's improvement on Wednesday. BASF was off DM 3.80 at DM 279, Bayer lost DM 4.30 to DM 308.50 and Hoechst eased DM 1.70 to DM 282.50.

Bonds were again lower and the Bundesbank bought DM 155.6m worth of paper after selling DM 9.2m on Wednesday.

Amsterdam was mixed with Royal Dutch's first quarter results providing the main focus in a market awaiting the US trade figures. Royal Dutch added Fl 8 to Fl 265.10.

Philips was off 10 cents at Fl 47.80, Unilever rose Fl 2.80 to Fl 597.80 and Akzo was unchanged at Fl 133.80.

Paris fell back further on profit-taking with sentiment dampened by the dollar outlook, interest rates, a strike by the communist led CGT federation, and inflation. French retail prices rose 0.5 per cent in April after a 0.1 per cent rise in March.

Zurich was mixed to lower in quiet trading, with banks and insurers coming under selling pressure.

Madrid pursued its rally as lower jobless figures and hopes of a better inflation rate provided a lift.

Stockholm was little changed

LONDON

GOOD company news and bullishness over opinion polls showing strong pre-election support for the Thatcher Government spurred the London equity market to record territory. The FT-SE 100, index climbed 16.6 to a new peak of 2,180.0, while the FT Ordinary index gained only 3.7 to close at 1,684.2.

Gilts eased in slack trade although optimism over interest rates continued to give the market support. Details Page 36.

Unlisted stocks will avoid Oslo tax

THE OSLO Government made clear yesterday that its controversial plan to impose a two per cent share turnover tax will apply to all stocks listed on the bourse and to all Norwegian investors, *writes Karen Fossli in Oslo.*

But under the proposal, due to be published in the revised budget today, foreign investors who trade through non-Norwegian brokers will not be affected, nor will unlisted companies.

When the plan was leaked last week, the Oslo bourse went into its steepest nosedive for at least four years. Shares have since picked up and yesterday the index rose 0.68 to 318.45 in thin trading.

A bourse spokesman said yesterday that overseas investors were responsible for the recent increase in activity in a previously "dormant" stock market.

"If foreigners trade in Norway they will be taxed like Norwegians, so this will have an effect on the volume traded outside Norway."

The spokesman also believed that if the proposal is agreed by parliament – and the Government has high hopes it will be – then two different markets could be created, one for shares traded outside Norway and one for those traded domestically by Norwegians.

In addition, companies might take the view there was something to be gained from not being listed, "and that's ridiculous, because those companies will not be controlled," he said.

Amsterdam aims to rival London

By Laura Raun in Amsterdam

AMSTERDAM's stock exchange, which already lists more foreign shares than domestic ones, is energetically promoting trade in overseas stock in a bid to compete with London as Europe's share dealing centre.

The bourse is beginning with its Japanese connection. Its chairman, Baron Boudewin van Ittersum, has said he wants to make Amsterdam the European centre for Japanese equity, and the bourse already quotes more Japanese stocks than any exchange outside Tokyo.

The exchange is now forging ahead with plans for a trading link between Amsterdam and Tokyo. A representative office was recently set up in Tokyo to speed up the job of linking yen-denominated trading in 24 Japanese stocks, two of which were listed in Amsterdam earlier this year.

Three of Japan's leading brokerage houses – Nomura, Daiwa and Yamaichi – have also joined the Amsterdam exchange with the understanding they are there to help foster trade.

Amsterdam is also seeking to buoy trade in US shares and, again, the bourse lists more US stocks than any exchange outside America.

A representative office was set up last year in New York to draw more US companies to the bourse and three brokerage firms, Merrill Lynch, Prudential-Bache Securities and Drexel Burnham Lambert, are expected to join the bourse soon.

The Dutch capital is touting itself as a key European link in increasingly global securities trading. A quotation in Amsterdam, it is argued, plus the home market can provide virtally 24-hour dealings given time differences. The bourse has accepted foreign members for years.

While London, already a bigger international financial centre than Amsterdam, is just as eagerly seeking a larger share of the global securities business, the Dutch capital believes it can compete.

The stock exchange points, for instance, to its streamlined Amsterdam Security Account System (ASAS), in which foreign shares are traded in the home-market currency with the same settlement system and dividend payments.

The physical stock stays in the country of origin and a computerised book entry is made in Amsterdam – a system which is claimed to be simpler than using bearer certificates.

ASAS cuts costs so that share prices are "almost identical" to those of the home market of the quoted foreign company, while dealing is faster and cheaper than going to the home exchange, the bourse says.

At the moment, however, volume in foreign securities still accounts for only 3 per cent of overall turnover on the exchange, although ASAS dealings jumped by 20 per cent last year.

ASIA

Yen optimism spurs rally to fresh high

TOKYO

BLUE CHIPS and stocks related to domestic demand led a broad rally in Tokyo yesterday which took the Nikkei average to a record high, *writes Shigeo Nishiwaki of Jiji Press.*

Large-capitals were cheaper, however, as institutions neglected the stocks.

The market barometer of 225 select issues rose 288.25 to 24,651.44 surpassing the previous high of 24,608 scored on Monday. Volume was 1.18bn shares, compared with Wednesday's 1.13bn. Gainers far outpaced losers 614 to 292, with 114 issues unchanged.

The Finance Ministry's unusual request for financial institutions and trading houses to refrain from speculative foreign exchange deals caused stock prices to plunge on Wednesday. But buying accelerated yesterday as investors judged that the yen's stability at the present rate of over 140 to the dollar would benefit the Japanese economy.

Export-oriented blue chips advanced accordingly. Many such companies have been struggling to break even at an exchange rate of 130 to the dollar, and investors think an exchange rate of over 140 should sharply improve profits. Investment trusts' purchases also helped them up, market analysts said.

Nisshin Steel topped the actives with 90.10m shares changing hands, finishing Y9 higher at Y416. But buying of other large-capital stocks was low. Nippon Steel retreated from first to fourth on the list with 30.26m shares traded, losing Y5 to Y373. Nippon Kokan dipped Y3 to Y334.

Matsushita Electric Industrial gained Y30 to Y1,680, and TDK and Victor Co. of Japan (JVC) added Y70 each to Y3,050 and Y2,030, respectively. Fuji Photo closed Y50 higher at Y2,940 and Nippon Kogaku Y35 up at Y690.

Constructions were also in demand, with Taisei Corp. jumping Y100 to Y1,290 and Ohbayashi Corp. Y70 to Y1,280. Among housing-related stocks, National House Industrial and Daiwa House continued to rise, posting increases of Y130 to Y2,130 and Y90 to Y2,470, respectively. Shokusan Jutaku registered a daily limit advance of Y100 to Y1,050.

Marubeni rose Y28 to Y588 and Mitsubishi Corp. Y90 to Y1,610. Mitsui and Co. was Y17 up at Y932.

NTT continued to slide, falling Y20,000 to Y2.96m.

The bond market remained turbulent. Prices opened cheaper after a newspaper reported that the Bank of Japan is considering measures to cool off the bond market, which is increasingly marked by speculative trading.

The yield on the 5.1 per cent government bond, due in June 1996 rose sharply to 2.655 per cent from Wednesday's 2.580 per cent at the start but fell to an all-time low of 2.550 per cent on later buying.

The yield turned up again when Nomura Securities was reported to have cancelled buy orders worth several hundreds of billions on the Tokyo Stock Exchange and 2.605 per cent in inter-dealer trading.

SINGAPORE

STRONG BUYING by institutional and small-scale investors pushed Singapore share prices to their third successive record close with volumes also reaching a new high. The Straits Times industrial index climbed 24.42 to the new peak of 1,204.94 in a peak turnover of 79.7m shares compared with Wednesday's 72.6m.

Despite scattered profit taking, demand remained firm for both blue chips and more speculative issues. Gains outpaced losses by 144 to 47 with 158 shares unchanged.

Hotel share Ming Court led advances by adding 52 cents to S$4.52. Singapore Airlines again moved ahead, by 30 cents to S$14.10.

HONG KONG

A LATE buying spree pulled Hong Kong prices higher after a choppy session peppered with profit taking. The Hang Seng index closed up 20.39 at 2,853.92.

Financials were perked up by a Hongkong Bank report giving a rosy prognosis for the sector. Hongkong Bank itself added 20 cents to HK$8.25, while Bank of East Asia gained 30 cents to HK$22.30 and Hang Seng Bank stayed at HK$37.75.

Hutchison, trading ex-dividend, ex-rights and ex-stock split, fell HK$10.75 to HK$46.75. Cheung Kong was steady at HK$41.25.

Elsewhere, Hongkong Electric added 20 cents to HK$14.30 and Hong Kong Telephone 10 cents to HK$12.80

AUSTRALIA

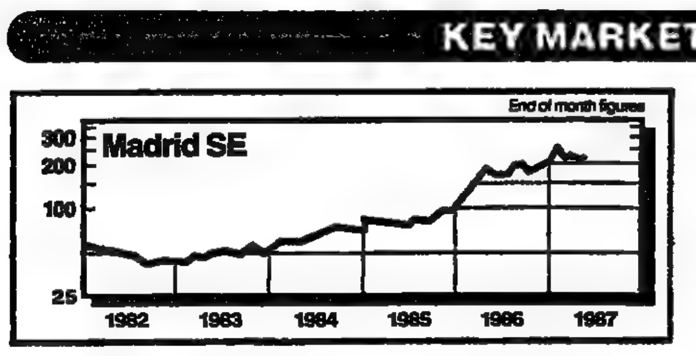
WEAKER OVERNIGHT metal prices and a fall in overseas buying left Sydney prices slightly easier, although the market found some support from a favourable reaction to the Government's economic statement on Wednesday and a cut in the Central Bank's main indicator interest rate.

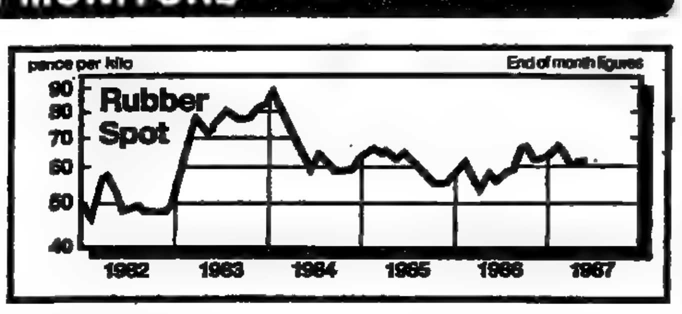
A further damper was market disappointment at Westpac Banking's 8 per cent reported fall in first half operating profit.

The share fell 14 cents to A$5.06. The All Ordinaries index closed 0.6 off at 1,848.5.

Golds suffered from news of the coup in Fiji, where Australian companies are exploring. Emperor fell 80 cents to A$9.10. Diversified miners also weakened. BHP fell another 15 cents to A$10.15

KEY MARKET MONITORS





STOCK MARKET INDICES

	May 14	Previous	Year ago
NEW YORK			
DJ Industrials	2,325.49	2,329.68	1,808.28
DJ Transport	976.04	967.48	786.43
DJ Utilities	203.82	205.61	182.70
S&P Comp.	294.24	293.98	237.54
LONDON FT			
Ord	1,684.2	1,680.5	1,302.6
SE 100	2,180.0	2,163.4	1,594.3
A All-share	1,086.94	1,079.68	779.69
A 500	1,215.05	1,205.27	854.49
Gold mines	420.8	421.4	244.3
A Long gilt	8.83	8.83	9.03
World Act. Ind (May 12)	133.42	133.82	88.67
TOKYO			
Nikkei	24,651.44	24,363.19	15,943.7
Tokyo SE	2,169.45	2,155.17	1,257.80
AUSTRALIA			
All Ord.	1,848.5	1,849.4	1,222.4
Metals & Mins.	1,249.3	n/a	491.7
AUSTRIA			
Credit Aktien	188.32	189.59	259.83
BELGIAN SE			
	4,665.70	4,628.00	3,642.03
CANADA			
Toronto			
Met.& Mins.	2,955.3	2,970.3	2,062.0
Composite	3,832.9	3,829.7	3,077.3
Montreal			
Portfolio	1,908.21	1,907.60	1,561.67
DENMARK SE			
SE	-	204.30	232.04
FRANCE			
CAC Gen	449.60	452.10	408.1
Ind. Tendance	112.30	113.0	95.25

	May 14	Previous	Year ago
WEST GERMANY			
FAZ-Aktien	581.84	594.96	654.55
Commerzbank	1,788.30	1,799.60	2,019.1
HONG KONG Hang Seng	2,853.92	2,833.53	1,620.66
ITALY Banca Comm.	725.45	727.30	841.92
NETHERLANDS ANP CBS			
Gen	286.30	286.10	257.9
Ind	uch	259.30	246.5
NORWAY Oslo SE	413.04	411.77	340.97
SINGAPORE Straits Times	1,204.90	1,180.50	598.98
SOUTH AFRICA JSE			
Golds	—	2,208.0	1,171.7
Industrials	—	1,931.0	1,176.2
SPAIN Madrid SE	219.85	214.16	192.75
SWEDEN J & P	2,838.1	2,829.0	3,313.69
SWITZERLAND Swiss Bank Ind	598.60	599.0	576.4

COMMODITIES (London)

	May 14	Prev
Silver (spot)	516.35p	521.45p
Copper (cash)	£905.50	£917.00
Coffee (July)	£1,360.00	£1,357.00
Oil (Brent)	$18.75	$18.775

GOLD ($/oz)

	May 14	Prev
London	$460.75	$461.25
Zürich	$461.00	$460.50
Paris (fixing)	$459.18	$458.11
Luxembourg	$458.85	$458.80
New York (June)	$465.60	$460.00

CURRENCIES (London)

	US DOLLAR May 14	US DOLLAR Previous	STERLING May 14	STERLING Previous
$	–	–	1.6780	1.6715
DM	1.7870	1.7900	2.9975	2.9925
Yen	139.50	139.70	234.25	233.5
FFr	5.9825	5.97	10.005	9.98
SFr	1.4690	1.4710	2.465	2.46
Fl	2.0135	2.0165	3.3775	3.37
Lira	1,298	1,294.50	2,169.30	2,163.75
BFr	37.05	37.15	62.05	62.10
C$	1.3365	1.3390	2.1248	2.2370

INTEREST RATES

	May 14	Prev
Euro-currencies (3-month offered rate)		
£	8 11/16	8 9/16
SFr	3⅞	3 15/16
DM	3 11/16	3 11/16
FFr	8⅝	8 9/16
FT London Interbank fixing (offered rate)		
3-month US$	7⅜	7 5/16
6-month US$	7½	7 7/16
US Fed Funds	6⅝*	6 11/16
US 3-month CDs	6.70*	7.085
US 3-month T-bills	5.59*	5.63

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	91-01	91-23	90-25	91-09
US Treasury Bills (IMM) $1m points of 100%				
June	94.04	94.12	94.03	94.06
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.26
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.62	92.67	92.61	92.62
20-year Notional Gilt £50,000 32nds of 100%				
June	127-01	127-17	126-28	127-03

US BONDS

Treasury

	May 14 Price	May 14 Yield	Prev Price	Prev Yield
7¼ 1989	99[illegible]	7.647	99[illegible]	7.69
7 1994	92[illegible]	8.391	92[illegible]	8.40
8½ 1997	99[illegible]	8.542	99[illegible]	8.55
8¾ 2017	100[illegible]	8.709	100[illegible]	8.73

Source: Harris Trust Savings Bank

Treasury Index (May 14)

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.98	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	May 14 Price	May 14 Yield	Prev Price	Prev Yield
AT&T 3⅜ July 1990	92.97	6.40	92.957	6.40
SCNT South Central 10⅞ Jan 1993	103.25	10.12	102.875	10.21
Phibro Sal 8 April 1996	91.408	9.45	91.13	9.50
TRW 8⅞ March 1996	98.435	9.35	98.15	9.40
Arco 9⅞ March 2016	101	9.77	101.17	9.75
General Motors 8⅝ April 2016	84.25	9.77	93.98	9.80
Citicorp 9⅝ March 2016	91.49	10.30	93.22	10.10

Source: Salomon Brothers

* *Latest available figures*

DOLLAR WORRIES RESTRAIN FOREIGN INVESTORS IN BONDS AND SHARES

UK turnover falls back in April

BY TERRY BYLAND IN LONDON

TRADING LEVELS in both UK Government bonds and ordinary shares fell back last month as renewed uncertainties over the US dollar trimmed participation by overseas investors.

However, the last days in April saw a revival in business as UK base rates were reduced and markets sensed an imminent UK general election.

Turnover in all securities, including equity and fixed interest, fell 23 per cent to £126.6bn ($211.5bn) with both sectors showing a dip of similar size. Trading in gilt-edged securities, which surged in the preceding month, was 25.5 per cent down at £94.43bn.

Japanese interest was reduced for part of the month by nervousness surrounding trade discussions in Washington between US President Ronald Reagan and Japanese Premier Yasuhiro Nakasone.

Trading in short-dated British Gilts fell by one third to £28bn as the first of two recent cuts in bank base rates took some of the steam out of the sector.

However, Government bond prices edged higher over the month, with the Financial Times Government Securities index gaining a further 1.14, to 91.60, as the gains chalked up earlier in the year were consolidated.

Business in equity stocks was also lower both in terms of cash and number of bargains. The money total, at £27.39bn, was 15 per cent lower than the March figure, and bargains dropped 26 per cent to 1,028.063.

Weakness in oil shares in New York, combined with the general caution of Japanese investors, reduced turnover in the large alpha stocks on which the equity market depends for its major revenue.

Equity market indices followed an erratic pattern over the month, but picked up strength as UK opinion polls began to indicate an early election on terms favourable to the Government of Prime Minister Margaret Thatcher.

The Financial Times Ordinary index climbed a net 34.9 points over the month to 1,612.0 – but has since burst through to new peaks.

The importance of overseas interest in the London markets was underlined last week when Sir Nicholas Goodison, chairman of the Stock Exchange, disclosed that about 25 per cent of equity business now comes from outside the UK.

The proportion has grown since the Big Bang deregulation, which brought a significant increase in foreign banks and securities houses in London. The prolonged weakness in the US dollar has also been a strong factor in bringing international investment money into London.

While details of foreign turnover in UK gilts are harder to identify, there is no doubt that much of the Far Eastern investment drive into the UK has gone into British government bonds.

Recent estimates of foreign participation in the gilt-edged market range to around 15 per cent of turnover.

Despite the currency nervousness seen early last month, gold shares gave back part of their recent gains.

The FT Gold Share index shed 8 points to 447.3 during April, reflecting erratic movements in a narrow trading sector.

MONTHLY TURNOVER: APRIL

	Value £m	per cent of total	No. of bargains	per cent of total	Average bargain value £000's	Average no of daily bargains
BRITISH FUNDS						
Short dated (7 years or less to run)	27,938.6	22.1	32,204	2.3	1,396.9	1,610
Mediums (7–15 years)	25,273.3	20.0	27,665	2.4	1,263.7	1,383
Others (over 15 years)	41,222.1	32.5	35,291	3.0	2,061.1	1,765
Total	94,434.0	74.6	95,150	8.2	4,721.7	4,758
IRISH FUNDS						
Short dated (7 years or less to run)	580.5	0.4	1,330	0.1	29.0	66
Mediums (7–15 years)	310.3	0.2	640	0.1	15.5	32
Others (over 15 years)	835.5	0.7	715	0.1	41.8	36
UK Local Authority	9.6	0.1	511	0.1	0.5	26
Overseas Govt	2,128.9	1.7	4,505	0.3	106.4	225
Other Fixed Interest	961.3	0.7	29,738	2.5	48.1	1,487
ORDINARY SHARES						
UK & Irish	19,843.6	15.7	917,547	79.1	992.2	45,877
Overseas	7,466.3	5.9	110,516	9.5	373.3	5,526
Total	27,309.9	21.6	1,028,063	88.6	1,365.5	51,403
TOTAL	126,570.0	100.0	1,160,662	100.0	6,328.5*	58,033*

* *Average of all securities*

SECTION III

FINANCIAL TIMES SURVEY

Friday May 15 1987

Spain's largest and traditionally most underprivileged region, whose flamenco, bullfighting and tourism have created the predominant image of Spain as a whole, Andalucia's quality of life has improved greatly since gaining political autonomy. However, **David White** reports, the reality does not yet match its 21st century aspirations as . . .

California of Europe

YOU COULD consider Andalucia a privileged part of the world. Certainly the Moors who were here for almost 800 years thought so. Presumably several hundred thousand British, German, Scandinavian and other foreign home-owners think so. Enough of the millions of holidaymakers who flood in each year must think so. And there are farmers who would not exchange their land here for land anywhere else.

But for northern Spaniards the first association they make with Andalucia is as an underprivileged region. The conspicuous wealth visible on the coast and in the Guadalquivir valley is only one side of it. Despite tourism, this largest of Spanish regions—bigger than Scotland—is still one of the poorest. For the 6.5m population there are another 2.5m who were born in Andalucia but live and work elsewhere, half of them in the industrial belts of Catalonia. In the villages, poverty is rarely obvious, but it is much more so in the outskirts of the main cities. The official unemployment rate is over 30 per cent, more than any other region.

The figure may overstate the real number without work, but then it does not include a further 9 per cent or so who are farm workers employed only part of the year. Nowadays these agricultural day-labourers can qualify for some state benefit. Otherwise, their situation has scarcely changed this century. Europe's only radical peasant movement still vents its anger from time to time—though less often than before—on cotton-picking machines, in the way that threshing-machines were destroyed in England 150 years ago.

It has become popular to talk of Andalucia either as the California or Europe, because of its farm-based potential (where else produces strawberries in February?), or the Florida of Europe, because of its still-growing leisure industry (where else has 14 golf courses in 70 miles, as there are on the road going west from Malaga?). But if there is a good US comparison, it would be more with the Deep South.

The coming-to-office of Mr Felipe Gonzalez as Spanish Prime Minister four and a half years ago, with his small group of fellow Sevillian socialists, could thus be compared with Mr Jimmy Carter's arrival at the White House in 1976. Now that the main right-wing opposition party, Popular Alliance, has found its own young Andaluz lawyer, Mr Antonio Hernandez Mancha, to take over its leadership, the corridors of power in Madrid echo with southern accents. But this does not mean the region feels any more central in the affairs of the nation.

The staging of a universal exhibition in Seville in five years' time for the 500th anniversary of Columbus's discoveries is aimed at helping to change that. The event implies a much larger investment effort than Barcelona's Olympic Games the same year. The region's chief officials see it enabling Andalucia "to become known in Europe."

On the surface, this might seem a strange concern. The region has, after all, been a target of tourism since the romantic era, and accounts for a large part of the image most people have of Spain (flamenco, bullfighting, white villages). But that image, often caricatural (fiery-eyed cigarette girls clenching roses between their teeth), contains along with its notions of pride, passion and tradition a distinct taint of backwardness. Andalucia needs another image to sell for the 21st century.

It stands to benefit from Spain's entry last year into the European Community perhaps more clearly than any other of the country's 17 regions. Although the experience of the Community has been that the gap between central and peripheral regions has tended to widen rather than to narrow, Andalucia has much in its favour. It can claim a large share of Community aid, including for training. It has few old industries vulnerable to competition, and has considerable growth potential, particularly in agribusiness. In agriculture its strengths are not in Community-surplus sectors but in products that few other areas in the Community can provide or that other areas cannot provide at the same time of year.

Mr Jose Rodriguez de la Borbolla, the 40-year-old President of the Junta (regional government) is confident that inside the Community "we are better off than we were."

Andalucia's retarded development has more to do with historical and social causes (a feudal landholding structure, the absence of a business-minded bourgeoisie to keep up the momentum of early industrialisation) than with shortage of resources. It always had mineral and farming wealth, but it was usually outsiders who took advantage of them. The mines of Penarroya and Rio Tinto have given names to French and British companies. The sherry families are of predominantly British origin.

Investment programmes under the Franco regime brought large-scale industry, but this had only local impact, was mostly in sectors such as petrochemicals that then ran into crisis, and reinforced the sensation of depending on decisions made in Madrid.

Five years ago Andalucia joined the Basque country, Catalonia and Galica as one of the regions to get a head start of devolution. It obtained its autonomy statute thanks partly to pressure from an emergent "Andalucista" party, which its founders claim to have been the only really novel political movement to surface in Spain in the early post-Franco years. This party, starting out quite far to the left but later moving towards the centre, had at one stage seven seats in the Madrid congress, but then collapsed as swiftly as it had risen.

The Region, which provided the first wave of the country-wide movement that swept the Socialists to power in 1982, can still be considered the party's strongest fortress. But it is also one of the few parts of the country where the Communists have been recovering ground.

Municipal elections being held next month could bring one or two nasty surprises for the Socialists, who currently run seven of the nine main towns. Their majority in Granada and even in Seville—Mr Gonzalez's home town—is in some danger.

The 1992 exhibition is being used as a kind of lure to keep expectations up. Probably some of the hopes vested in the event are exaggerated, but it does have an important bearing both on the way the region sees itself and on its infrastructure. Seville in Columbus' time was one of the main cities of Europe, and became (albeit for a short period) the centre of new world commerce. But not since Julius Caesar will it have been through such an urban renewal as is planned now. Among the new facilities will be improvements to transport networks. The railways, always one of Andalucia's principal handicaps, are being revamped under a Madrid government programme, a priority of which is a new route that will cut the Madrid-Seville journey by half.

The Andalucian cause was cleverly taken over by the Socialists under Mr Rafael Escuredo, an attractive figure who had a brief career at the head of the Junta. His successor Mr Rodriguez de la Borbolla, nicknamed "Pepote," was confirmed in power in the region's second election last year.

An exception among Spain's socialist leaders in that he comes from a political family—his great-grandfather was a minister of grace and justice and mayor of Seville—Mr Rodriguez de la Borbolla sees the country evolving towards a federal system on West German lines. Autonomy, he says, has gone a long way towards building a sense of unity between the region's eight provinces

Since gaining autonomy, he says, considerable improvements have been seen in the quality of life in rural areas, in education, health, housing, electrification and sewerage. The regional government is frequently criticised, however, for being unwieldy. One leading businessman says the bureaucracy is "the same as before, only slower."

"1992" has become a magic word. On the hoardings around Seville, almost every advertisement tries to relate its product to the event.

It will also be the 500th anniversary of the year the last Moorish territory, Granada, fell to Spanish rule. But the reconquest, with all its implications (the mass religious repression which led to the expulsion of unconverted Muslims and Jews), is not being celebrated. In recent years there has been a growing effort to recuperate the heritage of the civilisation that flourished before the reconquest. There is all the more reason, since a large part of subsequent history in the south has been a tale of lost opportunities.

David White

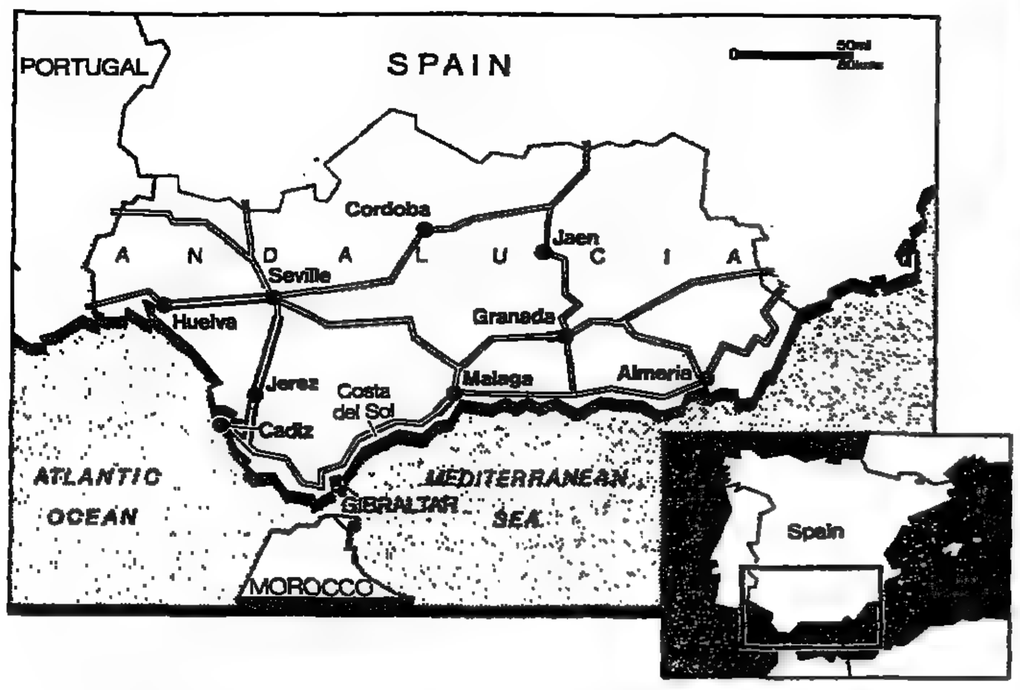
The port area of Malaga, on the Costa del Sol, one of Andalucia's largest ports

CONTENTS

ANDALUCIA 2

Socialist Government land reform laws have weakened rather than strengthened peasants' power, reports David White

Land structure stays cause for complaint



Andalucian farmer driving his mule, near Seville

IN THE same way that "wine routes" are signposted through French vineyard regions, a "route of peasant revolt" could be drawn to the south of the lower Guadalquivir river—a *250-mile tour through huge farm* estates and townships which have become notorious for occupations and hunger strikes.

The route could start out southeast from Seville to Utrera and El Coronil, through Moron de la Frontera, where the US has a standby air base, up on to the main Malaga road to Osuna and Estepa, off on the right to Gilena and Pedrera, and on the left to Marinaleda, on the olive-growing borders of Seville and Cordoba provinces. A deceptively prosperous-looking village, with neat municipal flower beds and a playground along its Avenida de la Libertad, Marinaleda has won fame as one of the most politicised communities of southern Spain, led by its mayor, an austere bearded schoolteacher called Juan Manuel Sanchez Gordillo.

This is home ground for the rural workers' union (SOC), a radical organisation unique among the agricultural unions of modern Europe. Rooted in a tradition of southern anarchism, it has kept up a campaign *for land reform, with a recent* admixture of ecologist and pacifist policies. Its president is a parish priest.

The main road leads on to the hill district of Antequera, site of the first compulsory takeover orders made under a controversial 1984 agrarian reform law, and so far held up by endless challenges in the courts.

From there, the route turns back west along the road to Cadiz, through the cotton plantations and more battlefields of the peasant movement.

Andalucia has 200,000 landless farm labourers receiving state support for at least part of the time they are not working. The big farmers say they could do without them, and that it *would be cheaper to mechanise* their farms more. But the *jornaleros* (day-labourers) are a fact they have to live with, as is the political necessity for the region's Socialist authorities to make some gesture towards meeting long-standing demands for land reform.

The 1984 law is one of the few *changes under the Socialists in* Spain that evokes the radicalism of pre-civil war days. It was the first of its kind since a reform decreed in 1932 which would have affected 8,000 landowners and more than a quarter of Andalucia.

Today's landholding structure is much the same as it was, with big estates of 200 hectares (494 acres) or more—1.4 per cent of the region's farms—occupying more than half the farmland. However, for the Andalucian Government, the days of land reform as it used to be thought of, in the sense of a share-out of property, are long gone.

"We started from the idea that an agrarian reform for the end of the 20th century, with adv*anced technology, makes no* sense if it is just a redistribution of land," says Mr Miguel Manaute, the man in the hot seat as agriculture councillor of the Junta (Regional Government).

Under the law, actual ownership is not called into question unless the land is "manifestly abandoned." The aim instead is to recuperate badly-used land by temporarily taking over farming rights and handing them over to co-operatives, under contract. The programme falls short of demands made by SOC and the Communist Workers' *Commissions Union which has* also been militating strongly in the countryside. The unions complain that the areas earmarked so far for are the worst farmland to be had.

In Antequera 12 estates, with a combined area of 6,000 hectares, were earmarked for takeover on the grounds that, by objective local standards, they were grossly under-farmed. Two of the estates, covering 2,500 hectares, were described as "without agricultural use." Proprietors included the Marchioness of Cauche and her sister, absentee owners of what a local Communist leader called "one of the last feudal bastions of Andalucia."

The ruling called on the owners to rent out the land for 12 years. After that period, they would be entitled to resume using their land but would have to pay for improvements made in the interim.

Mr Manaute says he knew there might be legal problems, since the law came when regional government was still in the process of becoming established in Spain, and there was insufficient jurisprudence on the matter.

Series of appeals against the law and the means of applying it

Ownership is not called into question unless the land is "manifestly-abandoned." The aim is to recuperate badly-used land by temporarily taking farming rights.

have succeeded in holding up the programme. However, the constitutional court turned down an Opposition appeal against the reform law itself in March, and the Junta now plans to press ahead with the next stages in the conflictive Estepa-Osuna region and in Cordoba province.

But it is clear that for the Junta the purpose the law serves is more to wield the threat of punishment than to carry it out. According to Mr Manaute, it has already provoked many proprietors to invest in their farms, switching to more intensive crops, increasing fruit and vegetable production, in some cases planning processing facilities, in order to justify themselves.

"*We have to find a kind of* land use that combines the most up-to-date technology and generating as many jobs as possible."

The big farmers' organisations object that this policy is pushing them towards "production for production's sake" and leading to distortions in the sector.

They are continuing to fight the reform programme all the way down the line. But despite the bitter battle in the courts, the issue has been kept separate from their other dealings with the Administration. Mr Manaute describes relations as "reasonably friendly."

The SOC and Workers' Commissions are meanwhile intent on keeping up the pressure on behalf of landless peasants. The precarious situation of the *Jornalero*, "hired by the day, by the month, by the season," is much as the late Gerald Brenan described it in The Spanish Labyrinth, published shortly after the civil war (in fact, mechanisation of Andalucia's *farms actually declined after* the war).

A typical *Jornalero* in Cadiz province might start in the beet fields, where he would work on and off between May and August. In September he could *count on* 20 days' work in the vineyards, and then move on to the cotton-fields in late September and October. Some go to Jaen or Cordoba for the olives. Thousands take special trains every year to France for the wine harvest.

A system of "community work" brought in under the Franco regime was considered degrading, and was replaced in 1984 with a new benefit scheme, attached to an investment programme for rural areas.

The beneficiaries, who are not counted as unemployed, have to register at least 20 days worked in the year in order to qualify for any benefit. The maximum entitlement, if they work at least 60 days, is nine months, at the equivalent of rather less than £30 a week. Sometimes working rates are not much more. For instance, according to union leaders, the strawberry-growing zone of Huelva province, which has become a boom area, takes on some 8,000 workers from other parts. *Although their pay is set* at Pta 2,300 (just over £11) per day, monthly take-home earnings after deductions for board and lodging are about Pta 30,000 (£145).

SOC leaders like the new benefit system little better than they did the old community work scheme. Paco Casero, a prominent SOC figure, complains of fraud in many town halls and a widespread practice of "buying" work-days in order to qualify for payouts. He reckons that out of 18m-20m workdays claimed, between 1.5m and 2m are fraudulent, and that many beneficiaries do not depend on their activities as farm-workers.

The system also means that many labourers take on work more in order to clock up days—"peonadas"—than for the wages they receive, he says, and tend to complain less about conditions for fear of not being called on again.

"Employers have more power now than they used to have 10 years ago," Mr Casero claims.

David White

The sherry industry has emerged from some years of self-doubt, apparent loss of direction, and unwelcome publicity, satisfied the future is now rosy.

Jerezanos confident again

IF THE administrative map of Andalucia were to be re-drawn there would be a strong case for carving out a new autonomous community called Sherry, much like that of Rioja in the north, which would have the town of Jerez as its undisputed capital.

Although juridically part of Cadiz the land of the amontillados and the olorosos is a self-sufficient island where families with foreign sounding names such as Domecq, Terry and Sandeman rule the roost and where every waking moment is devoted to the greater glory of, as well as the continual drinking of, the local product.

The *Jerezanos* instinctively feel they are a separate, closely-knit community. Twenty years back, despite their proximity to Seville, they built themselves their own airport.

They pay fanatical homage to their own bullfighters and flamenco stars they consider their own horses and bulls second to none, and when they take a vacation they move just a little bit out of town to the Puerto de Santa Maria or to Sanlucar for the *Jerezanos* world starts and ends within sight of his beloved vines.

After some years of self-doubt, of apparent loss of direction, of unwelcome publicity and of tensions, the bodegas are once more self-satisfied, even smug, confident that the future is rosy for the unique monoculture of Jerez.

Issues such as that of British sherry are mere minor irritants compared with past problems that included a production glut, declining markets, a bout of mergers and acquisitions, with *multinationals in the forefront*; and, worst of all, the debilitating expropriation of the Rumasa industrial holding, founded by local man Jose Maria Ruiz Mateos, which had bodegas as its cornerstone.

The so-called "Plan Jerez" has succeeded in reducing the 1979 peak of 22,000 hectares devoted to sherry to a manageable level of 18,000 in 1986. Trade insiders say that the present level permits the sherry firms to build up stocks and to develop potential markets.

Talk of opening up untapped markets is in itself new language. The sherry exporters had concentrated on fighting a rearguard action to maintain their traditional bastion in Britain. Now they look to Japan and, somewhat illogically, they claim that a people that has taken to drinking coffee should rapidly embrace sherry.

Britain, which imported 60 million bottles of sherry last year, is, together with Holland, the prime mature market for the trade. Exports to Britain have slid down from a 70m bottle high in 1978 but the sherry exporters believe that the decline has levelled out. British sherry ("it is neither British, nor sherry") snorts one *Jerezano*, has done its worst to undermine the genuine product and the trade believes that the damage can now be contained.

Holland, where there is no British sherry competition, imported 45m bottles last year. It is the most stable of all Jerez's markets with the highest per capita consumption of sherry in the world.

West Germany, the most rapidly growing of all Jerez's markets, could, however, overtake both Britain and Holland within the next decade. Over the past 12 years sherry consumption in West Germany has increased fourfold. Exports in 1986 to West Germany totalled 30m bottles. By the mid 1990s, *the figure may be 60m.*

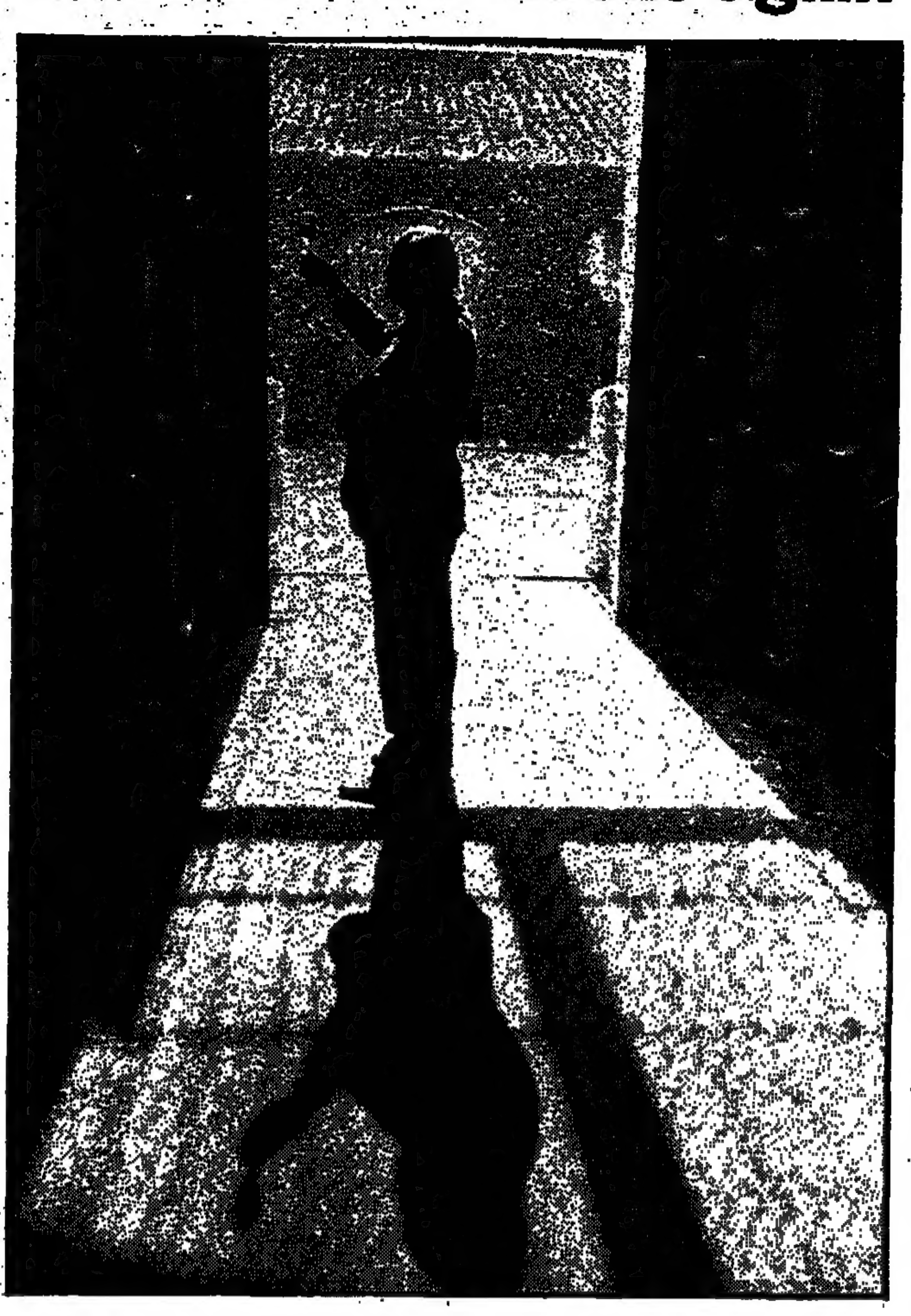
Aside from the Japanese ambitions the current bullishness of the sherry exporters is best illustrated by the determination to break into France and Italy. The two countries respectively imported last year 500,000 and 700,000 bottles—a total that the Jerez trade considers to be disgraceful.

The marketing strategy for the Italian and particularly for the French markets aims at pushing sherry not as an aperitif but as a wine to be drunk at meal times. Fino should be on the table to accompany fried fish and shell fish, oloroso seco and amontillado should be drunk with game, and creams and browns should be served with desserts.

Such sanguine views on the future reflect the security to the sherry trade that has come with multinational penetration of the bodegas. Grand Metropolitan, Allied Lyons, Seagrams and Hiram Walker lie behind the *recognisable brand-name families* of Terry, Domecq, Sandeman and the rest.

Ownership of sherry is now on a secure footing, in contrast to the volatile situation 20 years ago when Mr Ruiz Mateos began his ill-fated climb to the top.

A measure of the new won confidence is that rumours that Mr Ruiz Mateos is starting again at the beginning, and buying up small bodegas, are treated with good humour by the trade. "Why shouldn't Ruiz Mateos have his winery," says one exporter, "he's a *Jerezano* after all."



Sampling the vintage at Bodega Guerrero (the home of Dry Sack sherry).

Tom Burns

Seville's Expo 92 to celebrate discovery of America

Columbus quincentennial promises richer legacy

SOME TIME next month a flotilla of Caterpillar trucks and cranes will start work along the *right banks of the Guadalquivir* river as it flows through Seville.

This will be the first visible evidence of a project which could have as great an effect on the administrative capital of Andalucia as did the arrival of the first gold-laden galleons from the New World.

If present planning holds good it will take visitors 10 days and 45 miles worth of walking to get round the Seville Universal Expo which will commemorate the quincentenial of the 1492 discovery of America by Christopher Columbus.

Business should make a note too. Total expenditure for the exhibition itself, which Spaniards have come to know simply as Expo 92, stands according to the current book-keeping at \$550m of which \$209m is earmarked for construction and installation. The budget for operating costs stands at \$220m.

Graced with the thematic title of "The Age of Discovery", the *Seville happening in five years* time will be the first universal exhibition held in Europe since that of Brussels in 1958 and the first anywhere in the world since the 1970 Osaka edition.

The directors of Expo 92 quickly point out that the Vancouver Exhibition last year, which was three times smaller than the one planned for Seville, and the Brisbane one next year, which will be five times smaller, are what the Paris-based Bureau International de Expositions terms specialised exhibitions and there in a different, lesser category than the likes of Brussels, Osaka and Seville.

The Seville exhibition will bring together, on present estimates, between 60-65 participating countries, each with its own pavilion, some 10-12 international organizations and a further 15 odd multinational corporations. Spain, as host country, will have its own mega pavilion and a further 17, one for each of the state's autonomous communities. Well briefed in comparative statistics, the organisers say that Expo 92 will be the same size as the Brussels Exhibition and two thirds that of Osaka.

Depending on the pricing policy which has still to be decided and on the success of advance sales Expo 92 expects to attract between 22m and 28 m visitors, of whom at least 35 per cent will be non-Spanish. On current estimates income and revenue will total \$497m, leaving the exhibition organisers with a deficit of \$53m.

Officials and exhibition organisers do not, however, talk in terms of deficits. Expo 92 is spoken of as the definitive face-lift for the city of Seville and as the undisputed catalyst for the development of the peninsula's southern belt.

Seville will certainly be beautified. At a cost of \$140m the main railroad station will be moved away from its present site in the banks of the Guadalquivir, and the railway line ripped up, to allow the city increased access to the river. The Guadalquivir itself will flow once again along its old bed as flooding problems which in the 1950s caused a hydraulic by-pass to be built have now *been overcome.*

The Expo 92 site will as a result be a sort of Mesopotamia between the two flows of the Guadalquivir. This double water front is conceived as eminently appropriate to the quincentenial celebrations. The centre piece of the exhibition will be, *again very suitably, the* XV Century convent of Santa Maria de las Cuevas where Columbus lived for a time and where he was temporarily buried. The convent, which will serve as Expo 92's Royal Pavilion and VIP reception area, is being restored at a cost of \$8m.

Seville and Andalucia will particularly benefit from vastly improved communications. Included in the Expo 92 package are a major remodelling of Seville airport which will allow it to handle up to 4m passengers a year, five times the present amount, a new highway linking Madrid and Seville and a new railway track routing which will cut the rail time between the two cities by 50 per cent to a *little over three hours.*

The regional transport infrastructure will receive a badly needed revamping. An international bridge will by 1989 link Huelva's Costa de la Luz with Portugal's Algarve across the Guadiana river. A new highway will connect Seville, via Granada, to the Mediterranean motorway which in turn links up with the European freeway system and a second new highway will cut road travel time between Seville and Malaga to under two hours.

All told the infrastructure package will require an outlay of \$4bn on present estimates. *Some 200,000 jobs will be* created over the next five years either directly or indirectly linked to Expo 92.

The actual legacy value of the Expo 92 site construction is estimated, in terms of value, at around \$160m. Officials say that a permanent High Tech park will be the real legacy together with the transport development, a hugely improved leisure and tourism industry, a network of joint capital ventures and a considerable inflow of foreign capital—Columbus, 500 years ago, had also promised, and delivered.

Tom Burns

ANDALUCIA 4

Farm sector production

Pesetas bn	1982	1983	1984	*1985	†1986
Vegetables	70.6	73.2	104.2	116.1	112.3
Olive oil and related products	35.4	87.2	39.7	96.7	71.7
Cereals	52.8	26.0	81.7	81.4	83.2
Industrial crops	46.5	44.9	65.7	69.5	84.8
Fruit (including citrus)	−7.8	30.0	33.1	37.1	43.3
Wine and related products	12.5	15.2	13.8	15.5	15.3
Meat and livestock	43.4	41.7	52.7	61.2	67.9
Dairy	15.8	16.2	19.8	26.8	27.2
Eggs	8.0	9.0	9.3	10.5	8.6
Forestry products	7.4	6.8	9.6	12.2	13.1
Miscellaneous	48.5	52.1	71.7	81.3	70.8
TOTAL	368.8	402.3	501.3	608.3	598.2

* Provisional. † Estimated.

Source: Agriculture Department, Junta de Andalucia.

As demand for out-of-season fruit and vegetables grows, says David White

EC entry boosts farm export boom

AS THE road climbs down from the remote and backward Alpujarras region, the view over the town of El Ejido seems like a mirage. The impression of floods covering the plain between there and the sea turns out to be just sunlight reflecting on sheets of plastic, miles and miles of plastic.

This treeless area, a bulge on Spain's south eastern coast, within sight of the snowcaps of the Sierra Nevada, used to be little more than seasonal pasture land. It is now the country's biggest concentration of hot-house agriculture. Twenty-tonne trucks thunder down El Ejido's one main street.

Here and on the other side of Almeria town a whole new economy has flourished since the first private and public initiatives were launched during the 1960s and tap underground water resources. Using drip irrigation techniques, fruit and vegetables are grown in a top layer of sand under plastic sheeting stretched on poles, preventing evaporation and keeping ground temperatures up.

Sheltered from northerly winds, and enjoying 3,000 hours of sunshine a year, this new farming phenomenon has become known as the "Almeria miracle." Together with recent tourist development, the forcing-houses have lifted this arid, back-of-beyond province up from the bottom of the national wealth table. Further along the southern coast other bonanza zones have sprung up—most recently on the Atlantic coast of Huelva.

From this part of Almeria alone an average of about 90 trucks a day leave for EEC export markets. But perhaps the most striking aspect is that from the end of July to the end of September, when most European farmers are hard at work, Almeria takes a holiday.

Here everything is geared to producing out of season: tomatoes from December to March, cucumbers and peppers from October to January, melons and watermelons from April to June.

This new side to the agriculture of Andalucia—a region where traditional dryland products (olives, cereals, wine) still carry a lot of weight—stretches in an almost continuous strip as far as Malaga, nowhere more than about seven miles wide. In the south of Granada and Malaga provinces, the tomatoes and cucumbers give way to subtropical fruit: avocado pears, medlars, pawpaws, guavas, custard-apples. Other varieties such as mangoes are being grown on an experimental basis.

Further west in Huelva, 2,000 hectares are given over to strawberries. Growth in this sector has been both spectacular and speculative, with farmers imitating each other to cash in on the boom, apparently oblivious to the question of how much the market can absorb, but so far riding high.

Almeria, by contrast, already has 10 years' experience of tackling the market seriously. Jeronimo Molina, manager of Almeria's export organisation Coexphal, says that exports, which account for about 30 per cent of production, have pulled up the rest of the sector in terms of their marketing approach and quality. Direct contact with EEC markets has created "a new mentality," he says.

Comparing standards to those, for instance, of the avocados now being grown in the south of Granada, he admits: "In the first years, quality was as bad here."

Physically cut off from western Andalucia, Almeria can be seen more as an extension of the Levante region. The Valencians have a strong trading tradition, and in Almeria they have learnt by emulation. Last year, according to Coexphal, the province exported 244,000 tonnes of farm produce and this year's exports are expected to reach 300,000 tonnes.

Since it is already geared to selling in the EEC, the sector is little affected by Spain's entry into the Community from last year, which in any case includes a 10-year transition period for fruit and vegetables.

Where is the limit to expansion? "Whatever the market limit is," says Mr Molina. Some areas have run into water problems, suffering from excess salinity as a result of sea-water seepage. But, he says, the problem is "not generalised" and more water resources can be marshalled.

The development of new areas, however, has been held back after a run of drought years up to 1984. Emphasis is being placed instead on increasing productivity and improving techniques. Some hope has been placed on the use of solar energy for heating systems, although with little result so far.

In a province where agriculture still provides 40 per cent of jobs, the plastic revolution has played a big role in absorbing labour. The farms, typically very small (one or 1½ hectares), are mostly family-run.

The most conspicuous, and notorious, exception is the Quash concern, whose headquarters, resembling an airport control tower, stands up above the plain near El Ejido. It has had, to say the least, a chequered history.

It started out as a real estate project, Tierras de Almeria, aimed at selling plots of hot-house farm land to returning emigres—a sort of agricultural equivalent of the holiday-home "urbanisations" that dot Spain's Mediterranean coastline. When this failed, its promoters tried to launch it on big-company lines with a computer-controlled operation.

The Pharaonic project was backed by Banco Garriga Nogues, a small Barcelona bank linked to the Banesto Group. In the end, it was instrumental in provoking a crisis at the bank, forcing Banesto to come to the rescue and absorb it.

Planned to extend to 2,000 hectares (700 hectares of which are now actually in operation), the produce project ran into financial difficulties. Stakes were sold two years ago to Arab and other shareholders but the deals were subsequently annulled. Banesto, now in charge, was left having to sort out accumulated losses of Pta17.6bn (£85m).

Experts say that because of the type of work involved, the hot-house business is difficult and potentially expensive to run with outside labour, and therefore tricky for big companies. The sector is expected to continue to be based on smallholdings, grouped together in marketing and supply co-operatives.

The auxiliary business that has grown up in farm supplies—plastic, irrigation equipment, seeds and so forth—is expected to spawn a new small-industrial sector. According to regional industry experts, farmers themselves have shown considerable interest in ventures of this kind. Mr Molina at the export organisation believes Almeria has to do all it can to develop its range of expertise in order to consolidate the sector.

David White

A fine crop of peppers (capsicums) grown under polythene along the Mediterranean coast between Almeria and Motril.

New potatoes for northern Europe being fertilised near Motril.

Industry

Infrastructure problems inhibit growth

THE COSTA DEL SOL: Spain's south Wales? No, but it could almost have been. It is a curious fact for today's beachgoers to ruminate on that the first blast-furnaces in Spain were built in the 1830s, at Marbella.

The steelmills thrived as long as northern Spain was caught up in the Carlist wars. Then the industry declined. In textiles, Andalucia went through a similar story of industrialisation, then de-industrialisation.

The region's industrial deficiencies today are patent. Take Seville marmalade. Andalucia has all the ingredients, including the sought-after bitter oranges, but Spain imports marmalade from the UK. The region produces most of Spain's olive oil, but some of the best virgin oil is sent in bulk to Italy to be bottled and exported as up-market Italian oil.

Although it has a wide range of manufacturing activities from petrochemicals to aircraft assembly, Andalucia has little industrial clout. It has the rare distinction of having a university housed in a factory building (Seville's magnificent 18th century tobacco factory), but lacks the strong entrepreneurial class that made the wealth of the Basque country of Catalonia and provided jobs for Andalucian emigres in those regions.

Only about 15 per cent of jobs in the region are in manufacturing, against some 25 per cent in agriculture—the reverse of the situation in Spain as a whole. Andalucia has been largely spared the pain of the industrial "reconversion" programme undertaken in Spain since 1983, since it had little overmanned industry to convert.

Trouble has only really come in the last year, over lay-offs at the partly British-owned Rio Tinto copper mines in Huelva province and, more recently and violently, over an uncertain future for shipbuilding jobs at Puerto Real near Cadiz, a giant yard which Spain completed just as the 1973 oil crisis struck.

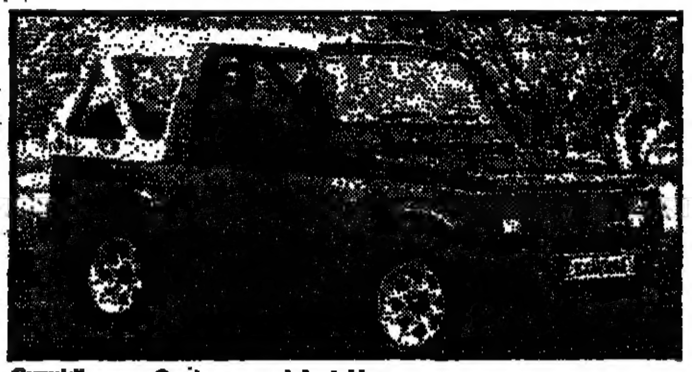
Under the Franco regime in the 1960s, a big effort was made to develop industrial "poles," particularly Huelva and the Algeciras area facing Gibraltar. The chemical and refining complexes, in the judgment of Mr Julio Moreno, Secretary-General of Andalucia's Industrial Promotion Institute (IPIA), "were not bad for Huelva, but did not bring much benefit either."

Economic activity

Sectors as a percentage of total

	Employment		Value	
	Andalucia	Spain	Andalucia	Spain
Agriculture	25.2	17.5	11.0	5.7
Fishing	1.5	1.0	1.5	0.8
Mining and oil	0.9	0.9	1.6	1.6
Water, gas, electricity	0.6	0.7	1.8	2.2
Manufacturing	14.8	23.8	16.3	23.6
Building	9.6	8.4	8.1	6.6
Transport, communications	4.9	5.5	6.2	6.8
Commerce	12.5	12.7	12.3	12.3
Banking and insurance	2.3	2.9	3.9	5.3
Civil service and defence	5.7	5.0	8.7	6.6
Education and health	7.2	6.9	8.0	7.7
Hotels etc.	5.7	5.1	5.6	5.0
Other	8.9	9.5	15.1	15.9

Source: Renta Nacional De Espana 1981, published by Banco De Bilbao



Suzuki's new Santana model at Linares

The tendency today to dismiss these initiatives is perhaps unfair, but the plants were isolated developments that had little to do with the rest of the regional economy. The big-project philosophy has been replaced by emphasis on Andalucia's considerable own resources.

For all its dependence on agriculture, there is no flourishing agriculture-derived industrial sector. IPIA, which is now being fused into a more muscle-bound promotion body, has concentrated on schemes such as the processing of farm products, from the subtropical fruit of the Malaga and Granada coasts to mountain agriculture, marble from the Sierra de los Filabres in the wilds of Almeria, and cork from Cadiz, Huelva and Seville. Since these are almost all small projects, the policy is to integrate as much as possible, for instance by promoting joint marketing efforts by food producers.

This means both creating new sectors (such as farm equipment supplies for hot-house farmers) and reviving old ones (for instance blankets in a mountain area of Cadiz which once used to produce ponchos for the Latin American market).

The creation of an autonomous government in Andalucia five years ago led to important changes in the channelling of finance. The Junta (regional government) has been able to bring in all the financial institutions operating in the region to provide special credit lines to small and medium-sized companies, a category into which 99.8 per cent of companies fit.

Autonomy has also brought a certain amount of conflict and confusion beween different bodies. An "economic reconversion" body, SOPREA, became in practice a financial promoter, taking part as a partner in new projects and providing credits and guarantees. However, INI, the Spanish state industrial holding group created by Franco, already had a regional development unit in Andalucia, SODIAN. In addition there was the new industrial promotion unit IPIA, which was given the role of identifying and studying potential projects.

In an effort to create a more rational framework, especially for the channelling of EEC funds, a new Andalucia Development Institute (IFA) is now being formed by merging SOPREA and IPIA.

Two things above all have held back industrial development. The first is poor land communications with the rest of Spain and therefore with European markets.

"Whenever there has been an investment programme it has always stumbled on the problem of infrastructure," says Mr Manuetera Luna, a genial hotelier who heads the Andalucian Employers' Confederation (CEA). He cites as the most recent example an ambitious Rotterdam-of-the-south project for Algeciras—a fine natural port, but no good land links to anywhere.

The transport problem is now beginning to be seriously tackled, with the region taking a large chunk of a massive Pta 2,100bn (£10bn) national railway plan and with new road projects including a transversal route which will reduce the seven hours-plus drive from Seville to Almeria.

The other main handicap is lack of business tradition. "We have a few good entrepreneurs but not many," admits Mr Otero Luna. Salaried careers in the civil service or big organisations have always tended to be better viewed. "Our own sons don't want to be entrepreneurs."

Foreign investment has also shown some hesitancy, except in the leisure and property sector. Japanese companies, more than EEC companies, have recently been most prominent. Already with a share in the Acerinox steel plant at Algeciras, Japan has increased its presence with Suzuki's entry into the land rover del Santana Vehicle Company based in Linares and the upgrading of Fujitsu's electronic interest in Malaga, through a new majority-controlled joint computer venture set up last year.

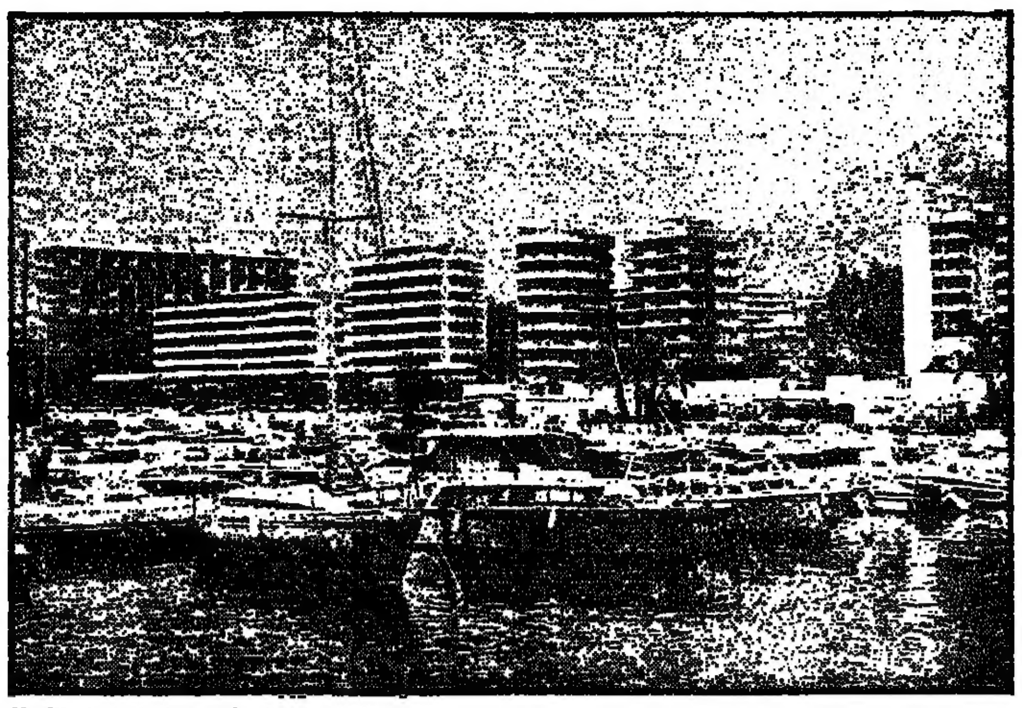
Fujitsu's commitment, which includes a research and development centre, provides a basis for an ambitious "technology park" project in Malaga due to start up in 1992. The idea is for a kind of industry that not only spares the environment for tourism but in which the region can use its sun-belt life style as an attraction for investors. Some regional officials, however, question whether Andalucia really has convincing advantages for this kind of industry.

Although there is a large available workforce, it is mostly poorly-qualified.

For all the inherited obstacles, however, both businessmen and officials see some encouraging signs of a new spirit. Mr Moreno points out that the region has only had its own promotion organisation since 1983.

"We did not start at zero, but at minus 10," he says. "Now we are above zero."

David White



Yachts at anchor in Marbella's harbour

Marbella

Paradise for 'La Jet'

DEPENDING ON who you talk to, what you read and where you go, Marbella is the genuine article or a passable, sometimes irritating, fake.

Marbella can be viewed as the showpiece resort on the Costa del Sol or as just another very sunny place for pretty shady people with a lot of paddle tennis courts, golf courses, boutiques and marinas thrown in, to lure wealthy innocents abroad.

But there are other perspectives to Marbella. No where else in Spain are more people employed and no where else are the young and the aged better cared for. Again, the whole issue of Andalucia developing into the California of Europe is now where more relevant than along Marbella's 28 kilometres of Mediterranean coastline.

The place is certainly a poseur's paradise. There is every likelihood that a GB registered, gold-plated, Rolls will be parked outside the Marbella club or Puente Romano or on the quay of Puerto Banus.

Longtime Costa resident and local gossip columnist Bettina Brown (wife of a film producer and mother of journalist Tina) monitors fads such as using best caviar as a face moisturiser and giving dinner parties of fish and chips served on yesterday's fleet street tabloid.

At times the shadiness is glaringly obvious. Every so often the Costa hits the headlines as crook's corner and as a centre for laundering criminal assets. In periodic drug busts, police round up Spaniards and foreigners alike and impound sleek sports cars and sleeker yachts.

Unwelcome publicity is arguably countered by blanket summer coverage of the Marbella comings and goings, what the Spanish pulp weeklies simply call "La Jet". From July to September a cast of showbiz people and aristocrats attends a succession of ostentatious hooplas. The birthday bash given by arms dealer Adnan Khassoggi is the high point of the social calendar.

Mr Jose Luis Rodriguez, the mayor of Marbella, says he has never met Mr Khassoggi. A teacher by profession, Mr Rodriguez is a member of the Socialist party and he says he is "not the mayor of La Jet".

There is, however, "absolute

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Paradise for La Jet

Marbella's picturesque old town and church

Continued from Page 5

mutual respect" between Mr Rodriguez, who keeps the works of Oxford historian Raymond Carr *by his bedside, and the* likes of Gunilla Von Bismark, Marbella's chief party raver and a great granddaughter of the German guns and butter Chancellor, who fills voluminous scrapbooks with cutting about herself and her friends.

"I respect them in their world and they respect me in mine. We're each where we are," says Mr Rodriguez. It is a tolerant arrangement that works entirely to the advantage of the two Marbellas.

Highly profiled champagne capers at the local Regine's and elsewhere in the resort helps attract investment that, in construction alone, totalled Pta 49bn between 1983-86. Mr *Rodriguez's council takes* 2 per cent of that straight away in building licences and Marbella has, as a result, become an oasis *of enlightened welfare* programmes.

School tuition is free in Spain but not so text books, school meals and the school bus—except in Marbella. Mr Rodriguez's council spends Pta 150m a year subsidising these extras and, over the past four years, it has nearly doubled school places to the present 12,000.

The council's high society-inflated annual budget of Pta 4.3bn is nearly four times greater than that of an average Spanish town with a population of 85,000.

Mr Rodriguez spends a lot of money keeping the beaches clean but he has also pioneered independent service apart*ments for* the elderly. Four such buildings, each with 24 units and a qualified staff, have been built in the past two years and two more are planned. Elsewhere in Spain old people's homes are the norm.

There is no reason to suppose *that the investment boom,* and the accompanying welfare, will end. On the contrary, confidence in the future can be breathtaking.

Puerto Banus, the trend-setting marina on the municipality's southern limits, is a case in point. People are moving out of the bijou Andalucian pueblo-style apartments because it has become too noisy and because real estate companis, who are moving in to open up offices, are offering good prices.

The marina can at present dock only one 150 metre plus yacht and Mr Khassoggi's "Nabila" occupies the mooring for much of the year. It is reckoned that there are 200 super yachts worldwide and Puerto Banus is embarking on an ambitious expansion in order to provide space for 40 of them at any one time.

Two more de luxe hotels are to be built shortly to add to the five top-notch establishments that Marbella boasts at present and a further two to three golf courses are planned. There are already seven 18-hole courses in Marbella, several of them designed by Robert Trent Jones.

Just outside the town's southern limits Dominion International PLC is completing a first 60-unit phase of a major secondary-cum-permanent home development. Apartments, which sell complete with a jacuzzi on the terrace and a "*panic button*" *by the bedside*, are going for around a quarter of a million pounds.

Dominion Beach is on a par with other top people's estates, built around golf greens and pleasure harbours, that soak up Marbella's enviable micro-climate. Their occupants can write home about neighbours that range from Deborah Kerr and Sean Connery to the Duchess of Alba and King Fahd of Saudi Arabia—although in truth the king has not visited his villa, which is a not-so-mini replica of the White House, for the past three years.

If, however, the California image is to come properly into focus Marbella has to offer more than *just exquisite leisure living* and avocardo farms, of which there are more and more filling up the gaps between the housing estates.

Farseeing planners on the Costa insist that communications have first to be improved.

Tom Burns

Development of the tourist industry has been lopsided, **Tom Burns** reports

Holiday time: a crowded beach on the Costa del Sol

Tourism

Visitors cling to the coast

ANDALUCIA SUFFERS from all the tourism imbalances that *afflict other Spanish regions.* It is a seasonal industry, it is too dependent on the charter flight, clients at the lower end of the market and it is weighted towards the coastline.

Such problems can appear aggravated in Andalucia. A city like Seville cannot house all those who want to visit it during Holy Week and during the week long high fiesta jinks of its April feria. But hoteliers have to fight for business the rest of the year.

Torremolinos is a resort that has for years battled with the fine profit margins of the tour operator sector. In the 1960s it opted for mass, cheap tourism and it is inexorably stuck with it. Off-season it is forced to slash *its prices.*

Visitors cling to the coast and the premier Andalucian cities, Cordoba, Granada and, of course, Seville, receive only day-trippers. Scenic, architectural towns such as Osuna and Ecija, two of a number that are steeped in history, are rarely visited at all.

A particular feature of Andalucian imbalances is the lopsided development of its coast. *Tourism* is concentrated on the Mediterranean Costa del Sol or more exactly on a particular stretch of the Malaga coastline. Elsewhere development is still in its infancy or, as in areas of Huelva's Costa de la Luz, almost non-existent.

It is in this specific area that most is being done to establish an equilibrium. Keynote projects are on line on the Cadiz, Atlantic coastline and development is spreading slowly but surely, north of Malaga and into the Granada coast.

The seasonal problems of the tourist sector hinge on the development of the secondary homes and retirement market as much as on the year-round *use of the resort facilities.* Officials in the Junta de Andalucia have since the beginning of the decade been using buzz terms such as the Florida/Miami of Europe with the same intense convictions that they speak of the California of Europe.

A village such as Mijas, just back from the Costa del Sol, where more than half of its 20,000 plus population is non-Spanish illustrates the *manner in which the sun-belt syndrome* can be successfully realised. Mijas has a well-established British, Scandinavian and German resident population and yet retains the white-washed, picture postcard, Pueblo atmosphere that first attracted the northern European immigrants.

The more obvious purpose-built Florida/Miami developments are on the Costa del Sol itself, built around marinas and golf courses, with a health club in each block and foreign periodicals crowding out the Spanish publications on the news stands.

Torremolinos, Benalmadena and similar high rise package-tour resorts are battling with *tourist meccas such as* Benidorm on Alicante's Costa Blanca to lure senior citizens for winter sojourns in the sun.

Internal tourism in Andalucia looks to the ambitious plans of Expo 92, the Seville World Fair and Exhibition in five years time, to spur its development. The transport, road and rail, infrastructure that has been mapped out for the event marks a decisive break in the region's *isolation from the rest of Spain* and in the communications between one Andalucian province and another.

Huelva's Costa de la Luz stands to gain handsomelly from the projected bridge that will link the border town of Ayamonte to Vila Real in Portugal across the Guadiana river estuary. The bridge will end the present dependence on a ferry system that can barely cope with the high season demand.

The Ayamonte-Vila Real border is unique along the frontier of the two neighbouring countries in that it is the Portuguese side of the border which is more developed. Junta officials expect that the up market facili*ties of Portugal's Algarve coast* will spill over to Huelva once the bridge is operational in two years time.

Plans have, in particular, long been drawn up to develop Isla Canela, close to Ayamonte as a major marina and all round leisure centre. This new resort would link up with one already functioning near the estauary of the *Guadalquivir river, Puerto* Sherry in the bay of Cadiz.

With Ptas 3bn of real estate already built, 200 yachts already moored in its marina and the social centre due to be inaugurated in time for this summer's season, Puerto Sherry has taken definite root.

Promoters of the resort label it an integrated concept with total facilities for sport and *relaxation* built around a marine village. In a second stage development 600 apartments will be built alongside the present complex of a sports harbour, a dry dock, a convention and social centre and a total of 340 studios. When the project is finished at the end of 1988 there will be berths for 800 yachts of between 10 and 50 metres.

Backed by Saudi money channelled through Madrid's Aresbank, Puerto Sherry has attracted both SODIAN and SOPREA, the two Andalucian development agencies as minor shareholders.

Tom Burns